



Unaudited Annual Financial Statements 2016/2017



Voelvlei Dam on 14 August 2017: 22.9%

SWARTLAND MUNICIPALITY

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SWARTLAND MUNICIPALITY

GENERAL INFORMATION AT 30 JUNE 2017

Swartland Municipality (the municipality) is a category B, medium capacity, local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate

The reporting entity (hereinafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.

MAYOR	Councillor T van Essen
DEPUTY MAYOR	Councillor M S I Goliath
SPEAKER	Councillor M Rangasamy

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	Councillor T van Essen
Member	Councillor M S I Goliath
Member	Councillor O M Stemele
Member	Councillor M van Zyl
Member	Councillor R F Van der Westhuizen
Member	Councillor P E Solomons

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Municipal Manager and Finances	Councillors M van Zyl
Civil and Electrical Services	Councillor R F van der Westhuizen
Administration, Development and Protection Services	Councillor P E Solomons

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Ms M Roos
Member	Mr A Theron
Member	Mr R I Kingwill

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson	Ms M Roos
Member	Mr A Theron
Member	Mr R I Kingwill

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Auditor-General			
No 17			
Park Lane Building			
Cnr Oasis and Park Lanes	Private Bag X 1		
Century City	Chempet	Telephone	021-528 4100
7441	7442	Fax	021-528 4201

BANKERS:

ABSA Bank			
50 Voortrekker Road	P.O. Box 75		
MALMESBURY	MALMESBURY	Telephone	022-482 7900
7300	7299	Fax	022-487 2026

SWARTLAND MUNICIPALITY

GENERAL INFORMATION AT 30 JUNE 2017 (continued)

LEGAL COUNCIL

Terblanche, Slabber and Pieters
8 Truter Street
MALMESBURY
7300

P.O. Box 38
MALMESBURY Telephone 022-482 2978
7299 Fax 022-482 1749

Du Plessis and Mostert
13 Piet Retief Street
MALMESBURY
7300

P.O. Box 5
MALMESBURY Telephone 022-482 1101
7299 Fax 022-482 1248

Roux and Van Dyk
42 Main Road
MOORREESBURG
7310

P.O. Box 4
MOORREESBURG Telephone 022-433 2206
7310 Fax 022-433 1940

REGISTERED OFFICE:

1 Church Street
MALMESBURY
7300

Private Bag X 52
MALMESBURY Telephone 022-487 9400
7299 Fax 022-487 9440

MUNICIPAL MANAGER

J J Scholtz

DIRECTOR: FINANCIAL SERVICES:

M A C Bolton

COUNCIL MEMBERS OF THE SWARTLAND MUNICIPALITY

Councillor

Bekebu Z
Bess D G
Daniels C
De Beer J M
Fortuin C B
Goliath M S I
Humphreys F S
Maart E S M
Mc Quire V D
Mfutwana L E
Papers C H
Penxa B J

Councillor

Philander D B
Rangasamy M A
Smit N
Sneewe A M
Solomons P E
Stanley B J
Stemele O M
Van Der Westhuizen R F
Van Essen T
Van Zyl M
Zatu N S

SWARTLAND MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2017*****APPROVAL OF ANNUAL FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 104 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors and political office bearers as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



J.J. Scholtz

31/08/2017
Date

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Note	2017 R	2016 Restated R
ASSETS			
Current assets		433 834 003	385 775 090
Cash and Cash Equivalents	2	348 889 949	299 134 038
Receivables from Exchange Transactions	3	51 675 333	48 451 567
Receivables from Non-Exchange Transactions	4	17 987 689	26 154 004
Inventory	5	9 437 120	9 513 126
VAT Receivable	6	5 782 012	2 458 744
Operating lease receivable	7	57 900	41 903
Current Portion of Long-term Receivables	12	-	18 184
Current Portion of Finance Lease Receivables	13	4 000	3 524
Non-current assets		1 825 575 200	1 805 030 737
Property, plant and equipment	8	1 767 637 413	1 772 420 229
Investment property	9	55 338 896	29 170 620
Intangible Assets	10	1 822 728	2 480 389
Heritage Assets	11	769 900	769 900
Long-term receivables	12	-	179 336
Finance lease receivables	13	6 263	10 263
Total Assets		2 259 409 203	2 190 805 827
LIABILITIES			
Current liabilities		102 933 536	103 018 713
Payables from exchange transactions	14	66 157 212	75 174 181
Consumer deposits	15	10 113 788	9 376 686
Current portion of Employee benefit liabilities	18	3 220 549	3 084 051
Current Portion of long-term borrowings	16	4 954 336	4 450 962
Unspent conditional grants and receipts	20	14 413 987	6 033 773
Provisions	18	3 914 184	3 605 627
Current portion of Finance lease liabilities	16	-	1 125 104
Operating lease liability	7	159 480	168 329
Non-current liabilities		188 985 352	193 517 019
Long-term borrowings	16/17	124 078 447	129 032 783
Finance lease liabilities	16	-	-
Employee benefit liabilities	21	64 906 905	64 484 236
Total Liabilities		291 918 888	296 535 732
NET ASSETS			
Total Net Assets		1 967 490 315	1 894 270 095
Statutory Funds	22	10 263	211 307
Reserves	23	142 577 746	140 706 563
Accumulated Surplus	24	1 824 902 306	1 753 352 225
Total Net Assets and Liabilities		2 259 409 203	2 190 805 827

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL PERFORMANCE**
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	Restated Actual 2016 R
REVENUE			
Revenue from Non-exchange Transactions		242 756 391	251 842 494
Taxation Revenue		89 868 399	79 827 401
Property rates	25	89 868 399	79 827 401
Transfer Revenue		125 805 860	150 896 263
Government grants and subsidies: Operating	26	27 184 670	39 854 374
Government grants and subsidies: Capital	26	35 390 192	56 766 869
Unconditional Government grants	26	59 275 000	51 772 000
Public Contributions and donations	27	1 774 507	1 500 000
Other Contributions	27	-	980 440
Donated Property, Plant and Equipment		2 181 491	22 580
Other Revenue from non-exchange transactions		27 082 132	21 118 830
Fines	28	23 191 241	17 350 887
Licences and permits	29	3 890 891	3 767 943
Revenue from Exchange Transactions		423 416 047	360 725 578
Operating Activities		420 646 467	356 250 774
Service charges	30	329 880 051	305 125 265
Rental of facilities and equipment	31	4 179 623	3 646 012
Interest earned - external investments	32	27 079 466	20 215 070
Interest earned - outstanding debtors	32	1 908 736	1 705 137
Income for agency services		3 849 108	3 556 467
Gains on Disposal of Property, Plant and Equipment		1 036 291	419 152
Other revenue from exchange transactions	33	52 713 192	21 583 671
Sale of Land Inventories		2 769 580	4 474 804
Revenue on sale of land		3 468 865	4 982 520
Cost of land sold		(699 285)	(507 716)
Total Revenue		666 172 438	612 568 072
EXPENDITURE			
Employee related costs	34	161 114 169	156 029 932
Remuneration of Councillors	35	8 887 623	8 643 929
Debt impairment	3/4	30 892 381	10 488 115
Depreciation and Amortisation	36	76 185 151	73 625 665
Asset impairment	36	242 222	542 683
Finance costs	37	13 853 694	14 483 511
Bulk purchases	39	199 444 550	187 833 594
Contracted services	40	32 290 607	32 724 989
Grants and subsidies paid	41	1 803 054	2 033 134
General expenses	42	57 283 475	64 511 436
Loss on disposal of property, plant and equipment		10 955 292	4 271 106
Total Expenditure		592 952 218	555 188 094
SURPLUS/(DEFICIT) FOR THE YEAR		73 220 220	57 379 978

SWARTLAND MUNICIPALITY**STATEMENT OF CHANGES IN NET ASSETS**
FOR THE YEAR ENDED 30 JUNE 2017

	Statutory Fund R	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 01 July 2015	232 417	100 000 000	1 736 262 570	1 836 494 987
Correction of error (Note 58)	-	-	395 130	395 130
Restated balance	232 417	100 000 000	1 736 657 700	1 836 890 117
Restated Surplus for the year	-	-	57 379 978	57 379 978
Transfer to Capital Replacement Reserve	-	67 004 028	(67 004 028)	-
Property, plant and equipment purchased	-	(26 297 465)	26 297 465	-
Transfer to Statutory Fund	(21 110)	-	21 110	-
Restated Balance at 30 June 2016	211 307	140 706 563	1 753 352 225	1 894 270 095
Surplus for the year	-	-	73 220 220	73 220 220
Transfer to Capital Replacement Reserve	-	45 034 716	(45 034 716)	-
Property, plant and equipment purchased	-	(43 163 533)	43 163 533	-
Statutory Fund	(201 044)	-	201 044	-
Balance at 30 June 2017	10 263	142 577 746	1 824 902 306	1 967 490 315

SWARTLAND MUNICIPALITY**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 R	2016 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Cash receipts from ratepayers, government and other		619 956 184	590 971 721
Cash paid to suppliers and employees		(502 264 876)	(451 900 068)
Cash generated from operations	43	117 691 308	139 071 653
Interest received	32	27 079 466	20 215 070
Finance costs	37	(13 853 694)	(14 483 511)
NET CASH FROM OPERATING ACTIVITIES		130 917 080	144 803 212
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(74 897 648)	(85 734 201)
Purchase of intangible assets	10	-	(8 136)
Purchase of investment properties	9.	(1 924 790)	(1 200 000)
Heritage Assets	11	-	-
Proceeds on disposal of property, plant and equipment		1 036 291	419 151
Decrease in long- term receivables	12/13	201 044	21 110
NET CASH FROM INVESTING ACTIVITIES		(75 585 103)	(86 502 076)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(5 576 066)	(4 712 494)
NET CASH FROM FINANCING ACTIVITIES		(5 576 066)	(4 712 494)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49 755 911	53 588 642
		49 755 911	53 588 642
Cash and cash equivalents at the beginning of the year		299 134 038	245 545 396
Cash and cash equivalents at the end of the year	2	348 889 949	299 134 038

The purchase of property, plant and equipment does not include the contributed non- financial assets to the amount of R 5 385 856 and Investment Property of R 24 593 015.

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL POSITION</u>										
<u>ASSETS</u>										
Current assets	335 897 241	93 477 013	429 374 254	-	429 374 254	433 840 266	-	4 466 012	101	129
Cash	230 191 379	110 000 233	340 191 612	-	340 191 612	348 889 949	-	8 698 337	103	152
Consumer debtors	60 416 573	(1 624 430)	58 792 143	-	58 792 143	59 579 564	-	787 421	101	99
Other debtors	37 864 215	(16 311 596)	21 552 619	-	21 552 619	15 933 633	-	(5 618 986)	74	42
Current portion of long-term receivables	21 110	-	21 110	-	21 110	-	-	(21 110)	0	0
Inventory	7 403 964	1 412 806	8 816 770	-	8 816 770	9 437 120	-	620 350	107	127
Non-current assets	1 792 536 444	(68 340 474)	1 724 195 970	-	1 724 195 970	1 825 568 937	-	101 372 967	106	102
Long-term receivables	169 087	-	169 087	-	169 087	-	-	(169 087)	0	0
Investment property	26 380 526	2 765 371	29 145 897	-	29 145 897	55 338 896	-	26 192 999	190	210
Property, plant and equipment	1 763 074 620	(70 698 529)	1 692 376 091	-	1 692 376 091	1 767 637 413	-	75 261 322	104	100
Intangible	2 142 311	(407 316)	1 734 995	-	1 734 995	1 822 728	-	87 733	105	85
Other non-current assets	769 900	-	769 900	-	769 900	769 900	-	-	100	100
Total Assets	2 128 433 685	25 136 539	2 153 570 224	-	2 153 570 224	2 259 409 203	-	105 838 979	105	106
<u>LIABILITIES</u>										
Current liabilities	114 647 349	(5 476 473)	109 170 876	-	109 170 876	102 933 536	-	(6 237 340)	94	90
Current Portion of long-term borrowings	5 262 653	-	5 262 653	-	5 262 653	4 954 336	-	(308 317)	94	94
Consumer deposits	10 068 842	-	10 068 842	-	10 068 842	10 113 788	-	44 946	100	100
Trade and other payables	92 649 855	(5 476 473)	87 173 382	-	87 173 382	80 730 679	-	(6 442 703)	93	87
Current Portion of Provisions	6 665 999	-	6 665 999	-	6 665 999	7 134 733	-	468 734	107	107
Non-current liabilities	191 014 568	-	191 014 568	-	191 014 568	188 985 352	-	(2 029 216)	99	99
Borrowing	124 092 525	-	124 092 525	-	124 092 525	124 078 447	-	(14 078)	100	100
Provisions	66 922 043	-	66 922 043	-	66 922 043	64 906 905	-	(2 015 138)	97	97
Total Liabilities	305 661 917	(5 476 473)	300 185 444	-	300 185 444	291 918 888	-	(8 266 556)	97	96
<u>NET ASSETS</u>										
Total Net Assets	1 822 771 768	30 613 012	1 853 384 780	-	1 853 384 780	1 967 490 315	-	114 105 535	106	108
Reserves	100 232 417	-	100 232 417	-	100 232 417	142 588 009	-	42 355 592	142	142
Accumulated Surplus/(Deficit)	1 722 539 351	30 613 012	1 753 152 363	-	1 753 152 363	1 824 902 306	-	71 749 943	104	106
Total Liability	2 128 433 685	25 136 539	2 153 570 224	-	2 153 570 224	2 259 409 203	-	105 838 979	105	106

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017****BUDGET COMPARISONS:****FINANCIAL POSITION****Current Assets:**

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury. In the Budget Statement of Financial Position consumer debtors consist of receivables from exchange and non-exchange transactions. The budget format does not allow for various debtor balances to be disclosed separately, therefore Operating leases and VAT are incorporated under Other debtors whilst Property Rates are under Consumer Debtors.

Non- Current Assets:

The current portion of Finance Leases Receivables are not included in Current Assets but the net of the Long Term and Finance Lease receivable portion. Heritage assets are incorporated under Other Non- Current Assets.

Current Liabilities:

Unspent conditional grants and receipts and Operating lease liabilities are included under Payables from Exchange Transactions. The current portion of Employee benefit liabilities are incorporated in provisions.

Non- Current Liabilities:

Employee benefits are incorporated in provisions. Finance lease liabilities are included in Long term borrowings. Statutory Funds are included in Reserves.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE</u>										
<u>REVENUE</u>										
Property rates	85 128 673	-	85 128 673	-	85 128 673	89 868 399	-	4 739 726	106	106
Government grants and subsidies: Operating	103 246 002	(6 716 061)	96 529 941	-	96 529 941	86 459 670	-	(10 070 271)	90	84
Fines	28 235 588	-	28 235 588	-	28 235 588	23 191 241	-	(5 044 347)	82	82
Licences and permits	3 475 280	-	3 475 280	-	3 475 280	3 890 891	-	415 611	112	112
Agency services	2 939 080	-	2 939 080	-	2 939 080	3 849 108	-	910 028	131	131
Service charges	331 266 801	3 250 000	334 516 801	-	334 516 801	329 880 051	-	(4 636 750)	99	100
Rental of facilities and equipment	3 586 015	-	3 586 015	-	3 586 015	4 179 623	-	593 608	117	117
Interest earned - external investments	17 300 150	6 500 000	23 800 150	-	23 800 150	27 079 466	-	3 279 316	114	157
Interest earned - outstanding debtors	1 482 678	-	1 482 678	-	1 482 678	1 908 736	-	426 058	129	129
Gains on Disposal of Property, Plant and Equipment	200 000	-	200 000	-	200 000	1 036 291	-	836 291	518	518
Donated Property, Plant and Equipment	-	-	-	-	-	2 181 491	-	2 181 491	-100	-100
Other revenue	16 865 962	3 092 762	19 958 724	-	19 958 724	55 482 772	-	35 524 048	278	329
Total Revenue (excluding capital transfers)	593 726 229	6 126 701	599 852 930	-	599 852 930	629 007 739	-	29 154 809	105	106

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE</u>										
<u>EXPENDITURE</u>										
Employee related costs	174 376 582	60 000	174 436 582	-	174 436 582	161 114 169	-	(13 322 413)	92	92
Remuneration of Councillors	9 242 740	-	9 242 740	-	9 242 740	8 887 623	-	(355 117)	96	96
Debt impairment	17 982 888	-	17 982 888	-	17 982 888	30 892 381	-	12 909 493	172	172
Depreciation and Amortisation	83 677 714	(1 500 000)	82 177 714	-	82 177 714	76 427 373	-	(5 750 341)	93	91
Interest paid	13 923 185	-	13 923 185	-	13 923 185	13 853 694	-	(69 491)	100	100
Bulk purchases	212 388 100	(6 221 212)	206 166 888	(200 000)	205 966 888	199 444 550	-	(6 522 338)	97	94
Contracted services	4 239 109	-	4 239 109	71 950	4 311 059	32 290 607	-	27 979 548	749	762
Grants and subsidies paid	2 136 780	(30 000)	2 106 780	-	2 106 780	1 803 054	-	(303 726)	86	84
Other expenditure	121 020 274	(9 029 821)	111 990 453	128 050	112 118 503	57 283 475	-	(54 835 028)	51	47
Loss on disposal of property, plant and equipment	2 251 362	-	2 251 362	-	2 251 362	10 955 292	-	8 703 930	487	487
Total Expenditure	641 238 734	(16 721 033)	624 517 701	-	624 517 701	592 952 218	-	(31 565 483)	95	92
Surplus/(Deficit)	(47 512 505)	22 847 734	(24 664 771)	-	(24 664 771)	36 055 521	-	60 720 292	-146	-76
Transfers recognised - capital	34 048 649	1 370 241	35 418 890	-	35 418 890	35 390 192	-	(28 698)	100	104
Public Contributions and donations	666 000	333 000	999 000	-	999 000	1 774 507	-	775 507	178	266
Other Contributions and donations	-	-	-	-	-	-	-	-	0	0
Surplus/(Deficit) after capital transfers	(12 797 856)	24 550 975	11 753 119	-	11 753 119	73 220 220	-	61 467 101	623	-572

BUDGET COMPARISONS:**FINANCIAL PERFORMANCE****REVENUE:**

Government grants and receipts: Operating and Unconditional government grants form part of Transfers recognised operational. Public contributions and government grants capital are included in Transfers recognised - capital and contributions recognised capital. Sale of land is included in Other Revenue.

EXPENDITURE

Asset Impairment is included in Depreciation and Amortisation. Repairs and Maintenance is included under General Expenses.

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE BY VOTE</u>										
<u>OPERATING REVENUE BY VOTE</u>										
Civil Services	185 166 833	6 243 906	191 410 739	-	191 410 739	215 535 580	-	24 124 841	113	116
Corporate Services	10 509 792	40 000	10 549 792	-	10 549 792	10 649 217	-	99 425	101	101
Council Revenue	125 200	200 000	325 200	-	325 200	407 069	-	81 869	125	325
Electricity Services	241 994 980	2 646 762	244 641 742	-	244 641 742	242 748 201	-	(1 893 541)	99	100
Financial Services	129 014 459	6 931 475	135 945 934	-	135 945 934	148 007 442	-	12 061 508	109	115
Development Services	26 301 965	(8 369 526)	17 932 439	-	17 932 439	17 140 451	-	(791 988)	96	65
Municipal Manager	-	137 325	137 325	-	137 325	137 325	-	-	100	0
Protection Services	35 327 649	-	35 327 649	-	35 327 649	31 547 153	-	(3 780 496)	89	89
	628 440 878	7 829 942	636 270 820	-	636 270 820	666 172 438	-	29 901 618	105	106
<u>OPERATING EXPENDITURE BY VOTE</u>										
Civil Services	240 551 639	(5 834 128)	234 717 511	2 023 156	236 740 667	209 291 532	-	(27 449 135)	88	87
Corporate Services	24 668 634	43 754	24 712 388	-	24 712 388	21 842 883	-	(2 869 505)	88	89
Council	14 678 049	(205 105)	14 472 944	18 877	14 491 821	13 619 756	-	(872 065)	94	93
Electricity Services	226 711 897	(42 195)	226 669 702	(476 589)	226 193 113	217 655 384	-	(8 537 729)	96	96
Financial Services	39 689 277	(409 440)	39 279 837	(1 896 919)	37 382 918	39 671 692	2 288 774	2 288 774	106	100
Development Services	41 452 114	(10 199 060)	31 253 054	27 576	31 280 630	27 203 559	-	(4 077 071)	87	66
Municipal Manager	5 911 778	267 325	6 179 103	-	6 179 103	5 326 149	-	(852 954)	86	90
Protection Services	47 575 346	(342 184)	47 233 162	303 899	47 537 061	58 341 263	10 804 202	10 804 202	123	123
	641 238 734	(16 721 033)	624 517 701	-	624 517 701	592 952 218	13 092 976	(31 565 483)		
Surplus/(Deficit) after capital transfers	(12 797 856)	24 550 975	11 753 119	-	11 753 119	73 220 220	(13 092 976)	61 467 101		
<u>CAPITAL EXPENDITURE BY VOTE</u>										
Civil Services	56 773 349	2 246 923	59 020 272	-	59 020 272	54 615 164	-	(4 405 108)	93	96
Corporate Services	4 075 000	3 102 600	7 177 600	-	7 177 600	7 119 839	-	(57 761)	99	175
Council	805 000	(100 000)	705 000	-	705 000	728 209	23 209	23 209	103	90
Development Services	4 020 000	1 420 241	5 440 241	-	5 440 241	5 293 403	-	(146 838)	97	132
Electricity Services	8 441 000	-	8 441 000	-	8 441 000	8 432 082	-	(8 918)	100	100
Financial Services	15 000	6 000	21 000	-	21 000	20 750	-	(250)	99	138
Municipal Manager	50 000	63 000	113 000	-	113 000	103 073	-	(9 927)	91	206
Protection Services	510 320	-	510 320	-	510 320	509 920	-	(400)	100	100
Total capital expenditure by vote	74 689 669	6 738 764	81 428 433	-	81 428 433	76 822 440	23 209	(4 605 993)	94	103

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE BY VOTE (continued)										
<u>Funding Sources</u>										
Transfers recognised - capital	34 048 649	1 370 241	35 418 890	-	35 418 890	32 753 426	23 209	(2 665 464)	92	96
Public contributions and donations	666 000	333 000	999 000	-	999 000	905 481	-	(93 519)	91	136
Other Contributions and donations	-	-	-	-	-	-	-	-	0	0
Borrowing	-	-	-	-	-	-	-	-	0	0
Internally generated funds	39 975 020	5 035 523	45 010 543	-	45 010 543	43 163 533	-	(1 847 010)	96	108
Total sources of capital funds	74 689 669	6 738 764	81 428 433	-	81 428 433	76 822 440	23 209	(4 605 993)	94	103
<u>CASH FLOWS</u>										
CASH FLOW FROM OPERATING ACTIVITIES										
Cash receipts from ratepayers, government and other	587 281 756	8 722 174	596 003 930	-	596 003 930	619 956 184	-	23 952 254	104	106
Cash paid to suppliers and employees	(509 900 189)	16 751 033	(493 149 156)	-	(493 149 156)	(502 264 876)	-	(9 115 720)	102	99
Cash generated from operations	77 381 567	25 473 207	102 854 774	-	102 854 774	117 691 308	-	14 836 534	114	152
Interest received	18 740 573	6 497 774	25 238 347	-	25 238 347	27 079 466	-	1 841 119	107	144
Finance costs	(13 923 184)	-	(13 923 184)	-	(13 923 184)	(13 853 694)	-	69 490	100	100
NET CASH FROM OPERATING ACTIVITIES	82 198 956	31 970 981	114 169 937	-	114 169 937	130 917 080	-	16 747 143	115	159
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchase of property, plant and equipment	(72 764 669)	(6 738 764)	(79 503 433)	-	(79 503 433)	(74 897 648)	-	4 605 785	94	103
Proceeds on disposal of property, plant and equipment	200 000	-	200 000	-	200 000	1 036 291	-	836 291	518	518
Purchase of Investment Property	(1 925 000)	-	(1 925 000)	-	(1 925 000)	(1 924 790)	-	210	100	100
Decrease in long- term receivables	21 110	-	21 110	-	21 110	201 044	-	179 934	952	952
NET CASH FROM INVESTING ACTIVITIES	(74 468 559)	(6 738 764)	(81 207 323)	-	(81 207 323)	(75 585 103)	-	5 622 220	93	101
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowings	-	-	-	-	-	-	-	-	0	0
Repayment of borrowings	(5 032 186)	-	(5 032 186)	-	(5 032 186)	(5 576 066)	-	(543 880)	111	111
Increase (decrease) in consumer deposits	569 934	-	569 934	-	569 934	-	-	(569 934)	0	0
NET CASH FROM FINANCING ACTIVITIES	(4 462 252)	-	(4 462 252)	-	(4 462 252)	(5 576 066)	-	(1 113 814)	125	125

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CASH FLOWS (continued)										
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3 268 145	25 232 217	28 500 362	-	28 500 362	49 755 911	-	21 255 549	175	1522
Cash and cash equivalents at the beginning of the year	226 923 234	72 210 804	299 134 038	-	299 134 038	299 134 038	-	-	100	132
Cash and cash equivalents at the end of the year	230 191 379	97 443 021	327 634 400	-	327 634 400	348 889 949	-	21 255 549	106	152
	3 268 145	25 232 217	28 500 362	-	28 500 362	49 755 911	-	21 255 549	175	1522

BUDGET COMPARISONS:**CASH FLOWS****Capital Assets**

Purchase of Property Plant and Equipment includes Intangible Assets, Investment Property and Heritage Assets.

EXPLANATION OF UNAUTHORISED EXPENDITURE

Losses due to the disposal of assets. This can only be calculated at year-end when the total costs of the new infrastructure which replaced the old assets are calculated. This amounted to R 2 288 77.

The provision for bad debts to the amount R13 707 778 was insufficient. Historical data indicates that only 17.45% of issued traffic fines are actually paid. Although the reduction of fines and the withdrawal thereof by the courts are taken into consideration when the provision is calculated, the municipality has no control over it. The amount of R 9 537 449 exceeded the provision.

The protection of the Phola Park (low-cost housing) area against unlawful occupation of property resulted in the overspending on overtime to the amount of R 1 266 674. Due to the urgency of the situation, management action had to be taken immediately.

Air conditioners were installed in the Malmesbury town hall to the amount of R150 160.00 (excl. VAT) which was not budgeted. However, with the underspending on other line items limited the overspending to R23 209.

EXPLANATION OF MATERIAL VARIANCES**STATEMENT OF FINANCIAL POSITION****ASSETS****Current assets**

Other debtors

% above
norm

(26)

Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017****EXPLANATION OF MATERIAL VARIANCES (continued)****STATEMENT OF FINANCIAL POSITION (continued)****ASSETS (continued)****% above
norm****Non-current assets**

Investment property

90

Significant increase due to the vesting of properties in the name of the municipality

Current liabilities

Current Portion of long-term borrowings

(6)

Due to a increase in capital payments on loans

NET ASSETS**Total Net Assets**

Reserves

42

Increase of cash levels resulting in an increase in funds to be set aside in reserves.

REVENUE

Fines

(18)

Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court

Licences and permits

12

Growth in the number of vehicles resulted in the increase in licencing services.

Agency services

31

Increase in motor vehicle licences being issued.

Rental of facilities and equipment

17

Increase of land leased out

Interest earned - external investments

14

Increase in funds available for investment and higher interest rate than expected.

Interest earned - outstanding debtors

29

Outstanding Debtors increased due to the poor economic conditions with a corresponding increase in late payments.

Gains on Disposal of Property, Plant and Equipment

418

Net profit realised on sale of Property Plant and Equipment at the municipal auction was higher than expected.

Donated Property, Plant and Equipment

(100)

Unexpected donation of asset. Immaterial amounts.

Other revenue

178

Income realised more than budgeted due to several line- items realising more income. Refer annexure E (1).

EXPENDITURE

Debt impairment

72

Estimation of debt impairment more than anticipated.

Grants and subsidies paid

(14)

Grants and Subsidies expenditure less than anticipated. Application for roll overs were submitted.

Other expenditure

(49)

Expenditure realised lower than anticipated due to several line- items that have been underspent. Refer to annexure E (1).

Loss on disposal of property, plant and equipment

387

More infrastructure assets disposed due to ageing.

CASH FLOWS

Proceeds on disposal of property, plant and equipment

418

Net profit realised on the sale of Property Plant and Equipment at the municipal auction was higher than expected.

Decrease in long- term receivables

852

Write off of ACVV loan by the Department of Housing

Repayment of borrowings

11

Due to an increase in capital payments on loans

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise indicated.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

1. 1. 1 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 1. 1. 1 Revenue Recognition

Accounting Policy 1.11.2 on *Revenue from Exchange Transactions* and Accounting Policy 1.11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered or not. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 1. 1. 2 Financial assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 1.8.1 on Financial Assets and Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 1. 1. 3 Impairment of Financial Assets

Accounting Policy 1.8.3 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. Management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

1. 1. 1. 4 Impairment of Trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1. 1. 1. 5 Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

As described in Accounting Policies 1.3.3, 1.5.2 and 1.6.2 the municipality depreciates / amortises its property, plant and equipment, intangible assets and investment property over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 1 BASIS OF PRESENTATION (continued)****1. 1. 1 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)****1. 1. 1. 5 Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories (continued)**

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Accounting Policy 1.7 on *Impairment of assets* and Accounting Policy 1.10.2 on *Inventory - Subsequent measurement* describe the conditions under which non-financial assets are tested for potential impairment losses. Significant estimates and judgements are made relating to impairment testing and write down of Inventories to Net Realisable Values (NRV). Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE, intangible assets and the NRV for inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 8, 9, 10, 11 and 5 to the Annual Financial Statements, if applicable.

1. 1. 1. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 5 to the Annual Financial Statements.

1. 1. 1. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 1.14, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 18 and 21 to the Annual Financial Statements.

1. 1. 1. 8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 18 and 53. Accounting policies pertaining to contingent assets and liabilities are disclosed under policies 1.13 and 1.25.

1. 1. 2 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 1. 3 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 1. 4 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 1. 5 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Accounting Policies have been consistently applied, except where otherwise indicated:

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 1 BASIS OF PRESENTATION (continued)

1. 1. 5 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (continued)

The municipality changes an accounting policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 58 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 58 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1. 1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and interpretations were issued but are not yet effective and have not been early adopted by the municipality. The ASB Directive 5, paragraph 28, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 20 Related party disclosures - issued June 2011
- GRAP 32 Service Concession Arrangement Grantor - issued August 2013
- GRAP 34 Separate Financial Statements - issued March 2017
- GRAP 35 Consolidated Financial Statements - issued March 2017
- GRAP 36 Investments in Associates and Joint Ventures - issued March 2017
- GRAP 37 Joint Arrangements - issued March 2017
- GRAP 108 Statutory Receivables - issued September 2013
- GRAP 109 Accounting by Principals and Agents - issued July 2015
- IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset - issued August 2013

Standards as listed above will only be effective when a date is announced by the Minister of Finance.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality as, either the information to a large extent is already included in the notes to the annual financial statements, or the Municipality does not participate in such business transactions.

The ASB Directive 5, paragraph 28, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 11 of the Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in GRAP 20 that have been issued but are not yet effective, in developing appropriate Accounting Policies, but have not early adopted these Standard.

Management has considered the above-mentioned GRAP Standard issued but not yet effective and anticipates that the adoption of this standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1. 2 NET ASSETS

Included in the net assets of the municipality, are the following statutory funds and reserves, apart from the Accumulated Surplus, that are maintained in terms of specific requirements:

1. 2. 1 Statutory Fund: Housing (HDF)

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 2 NET ASSETS (Continued)****1. 2. 1 Statutory Fund: Housing (HDF) (Continued)**

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to this Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were transferred to this Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into this Fund. Funds available in this Fund can only be utilised to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

1. 2. 2 Reserve: Capital Replacement (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers. The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR.

1. 3 PROPERTY, PLANT AND EQUIPMENT**1. 3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost.

1. 3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 3 PROPERTY, PLANT AND EQUIPMENT (continued)

1. 3. 2 Subsequent Measurement (continued)

Subsequently all property plant and equipment, including Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1. 3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Storm water	50	Movable Assets	
Electricity	10 - 50	Specialist Vehicles	5 - 20
Water	10 - 100	Other Vehicles	5 - 10
Sewerage	10 - 100	Office Equipment	3 - 7
Landfill Sites	10 - 50	Furniture and Fittings	7 - 10
		Watercraft	15
Community		Bins and Containers	5
Recreational Facilities	10 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

1. 3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1. 3. 5 Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1. 3. 6 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1. 3. 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1. 4 HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 4 HERITAGE ASSETS (Continued)**

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1. 4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary asset, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1. 4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

1. 4. 3 Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of assets.

1. 5 INTANGIBLE ASSETS**1. 5. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria is fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 5 INTANGIBLE ASSETS (continued)

1. 5. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost.

1. 5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset class: *Intangible assets*

- | | |
|------------------------------------------|-------------|
| ▪ Computer software / software licenses: | 5 -10 years |
| ▪ Software Development: | 5 -10 years |

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified, except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1. 5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1. 6 INVESTMENT PROPERTY

1. 6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 6 INVESTMENT PROPERTY (continued)

1. 6. 1 Initial Recognition (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide goods and services and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost.

1. 6. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1. 6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1. 7 IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

1. 7. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 7 IMPAIRMENT OF ASSETS (continued)****1. 7. 1 Impairment of Cash generating assets (continued)**

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1. 7. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non- cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1. 8 FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 8 FINANCIAL INSTRUMENTS (continued)****Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or collectability.

1. 8. 1 Financial Instruments - Classification

A Financial Asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets and Financial Liabilities of the municipality are classified as follows into the three categories allowed by this standard:

- *Financial assets (or financial liabilities) at amortised cost* are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. Financial assets (or financial liabilities) at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less an allowance for impairment.
- *Financial assets (or financial liabilities) at fair value* are financial instruments that meet either of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value;
 - (c) instruments held for trading;
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- *Financial assets (or financial liabilities) at cost* are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

A **financial asset** is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (when applicable);
- Operating lease assets;
- Receivables from exchange transactions;
- Receivables from non-exchange transactions;
- Short-term Investment Deposits (when applicable); and
- Cash and cash equivalents.

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash with banks and call deposits held with banks.

In accordance with GRAP 104 the *Financial Assets* of the municipality are all classified as *financial assets at amortised cost*, except for cash floats and petty cash, which are classified as *financial assets at fair value*.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 8 FINANCIAL INSTRUMENTS (continued)****1. 8. 1 Financial Instruments - Classification (continued)**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Borrowings;
- Finance lease liabilities;
- Unspent conditional grants and receipts;
- Payables;
- Bank Overdraft (when utilised);
- Current portion of finance lease liabilities;
- Current Portion of Long-term borrowings; and
- Consumer Deposits.

In accordance with GRAP 104 the *Financial Liabilities* of the municipality are all classified as *financial liabilities at amortised cost*, except for Consumer deposits, which are classified as *financial liabilities at fair value*.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1. 8. 2 Initial and Subsequent Measurement**Financial Assets****Financial Assets measured at Amortised Cost**

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Financial Liabilities**Financial Liabilities measured at Fair Value**

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1. 8. 3 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 8 FINANCIAL INSTRUMENTS (continued)****1. 8. 3 Impairment of Financial Assets (continued)****1. 8. 3. 1 Financial Assets at Amortised Cost**

An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Initially receivables from exchange and non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method, less an allowance for impairment. The allowance is made in accordance with GRAP 104, whereby the recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at year-end. Amounts are written off in the year during which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

1. 8. 4 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1. 8. 5 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1. 9 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. 10 INVENTORIES

1. 10. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1. 10. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1. 11 REVENUE RECOGNITION

1. 11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 11 REVENUE RECOGNITION (continued)****1. 11. 1 General (continued)**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

1. 11. 2 Revenue from Exchange Transactions**1. 11. 2. 1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month or a property is vacant.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1. 11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year-end it is recognised based on an estimate of the prepaid electricity consumed as at the reporting date, which is recognised as an unutilised portion.

1. 11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance when the interest is received.

1. 11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges are recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1. 11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

1. 11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 11 REVENUE RECOGNITION (continued)*****1. 11. 2. 7 Rentals***

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1. 11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction that meets the definition of an asset, is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

1. 11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1. 11. 3. 2 Fines

Fines consist of spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

1. 11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

1. 11. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

1. 11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1. 12 GOVERNMENT GRANTS AND RECEIPTS

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transfer or, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transfer or has never been enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 12 GOVERNMENT GRANTS AND RECEIPTS (continued)**

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1. 13 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1. 14 EMPLOYEE BENEFITS**1. 14. 1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1. 14. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 14 EMPLOYEE BENEFITS (continued)****1. 14. 3 Post-retirement benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

1. 14. 3. 1 Defined Contribution plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. 14. 3. 2 Defined Benefit plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1. 15 LEASES**1. 15. 1 The Municipality as Lessee**

Leases are classified as **finance leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, finance leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 15 LEASES (continued)****1. 15. 2 The Municipality as Lessor**

Amounts due from lessees under **finance leases** or **instalment sale agreements** are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as revenue and the contractual payments received are recognised as an operating lease asset or liability.

1. 15. 3 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset.

At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1. 16 BORROWING COSTS

All Borrowing Cost are treated as an expense in the period in which it incurred.

1. 17 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1. 18 VALUE ADDED TAX

The Municipality is registered with SARS for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the VAT Act No 89 of 1991, and accounts for VAT on the cash basis.

1. 19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

The definition of "vote" for Swartland Municipality is set at the Functional area within the respective department.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1. 20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1. 21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 22 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Members in the service of the state are also considered to be related parties.

1. 23 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (Note 58)

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

1. 24 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

1. 25 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

Commitments are future expenditure to which the municipality has committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP. Capital commitments are disclosed excluding Vat as per note 49;
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has not yet been awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources;
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements; and
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1. 26 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 27 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL**

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, which is measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value; and
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
 - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared to the terms of current market transactions for the same or similar items.
 - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

1. 28 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is measured at fair value.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 28 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL (continued)**

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship, fair value; and

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

1. 29 MERGERS

A merger is the establishment of a new combined entity in which none of the former entities obtain control over each other and no acquirer can be identified.

The assets and liabilities that qualify for recognition by the combined entity or transfer and derecognition by the combining entities in a merger are normally governed by the terms and conditions of the binding arrangement. Such assets and liabilities must be part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Initial Recognition

As of the merger date, all the assets acquired and liabilities assumed are recognised and measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired and the liabilities assumed and any adjustments required to the basis of accounting, shall be recognised in accumulated surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

Subsequent Measurement

Any assets acquired and any liabilities assumed in a merger are subsequently measured in accordance with the applicable Standards of GRAP.

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

1. 30 COMPARATIVE INFORMATION**1. 30. 1 Prior year comparatives:**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1. 30. 2 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

1. 30. 3 Budget Information:

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the Accounting Policies adopted by Council for the preparation of these Annual Financial Statements.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****1. 30 COMPARATIVE INFORMATION (Continued)****1. 30. 3 Budget Information: (Continued)**

Budgeted amounts are scheduled as additional budget columns in the financial statements and explanatory comments are provided in the STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS to the annual financial statements, giving motivations for overspending on line items.

The annual budget figures included in the financial statements are for Swartland Municipality and do not include budget information relating to any other entities. These figures are those approved by Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2017.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under spending on line items. The municipality considers variations of 10% or more as material for purposes of providing explanatory comments.

1. 31 MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply with the legislative requirements governing Municipalities and Municipal Entities. Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
2. CASH AND CASH EQUIVALENTS		
Bank balances and cash	348 874 519	299 118 808
Petty Cash Advances	15 430	15 230
	-	-
Total cash and cash equivalents	348 889 949	299 134 038
The Municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account) (OTM account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2381		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 1741		
Cash book balance at beginning of year	299 118 808	123 430 166
Cash book balance at end of year	348 874 519	299 118 808
Bank statement balance at beginning of year	296 471 989	115 606 194
Bank statement balance at end of year	343 374 496	296 471 989
<u>Current Account (ACB account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2399		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account (Syntell)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 8119 7650		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Call account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 7431 0875		
Cash balance at beginning of year	-	188 227
Cash balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Call account</u>		
ABSA Bank Limited - Public Sector: Account Number 92 9837 5707		
Cash balance at beginning of year	-	21 911 773
Cash balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
2. CASH AND CASH EQUIVALENTS (continued)		
<u>Short- Term Portion of Investments</u>		
Standard Bank Account Number 28 8494 342 004		
Cash balance at beginning of year	-	100 000 000
Cash balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Summary</u>		
Cash balance at beginning of year	299 118 808	245 530 166
Cash balance at end of year	348 874 519	299 118 808
Bank statement balance at beginning of year	296 471 989	115 606 194
Bank statement balance at end of year	343 374 496	296 471 989

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.

Call investment deposits are investments with a maturity period of less than 3 months which earn interest at a rate varying from 6.80 % per annum.

Interest on overdrawn current accounts is charged at prime less 0.5 % per annum when utilised and earn interest at different rates per annum on favourable balances. Overdraft facility of R 1 000 000 is available on account number 40 5369 1741.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period.

Deposits of R 142 577 746 (2016: R 140 706 563) are attributable to the capital replacement reserve. (Refer to Note 23).

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2017

	Gross Balances R	Collective Allowance for Impairment R	Net Balances R
Service Receivables	53 490 554	3 797 142	49 693 412
Electricity	33 028 363	1 279 791	31 748 572
Water	10 164 777	1 041 900	9 122 877
Sewerage	5 589 783	690 967	4 898 816
Refuse Removal	4 707 631	784 484	3 923 147
Other receivables			
Housing rentals / instalments	48 337	3 800	44 537
Other	2 215 427	278 043	1 937 384
Total: Receivables From Exchange Transactions	55 754 318	4 078 985	51 675 333

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

As at 30 June 2016
Restated

	Gross Balances	Collective Allowance for Impairment	Net Balances
	R	R	R
Service Receivables	49 208 091	3 294 170	45 913 921
Electricity	32 191 242	1 151 833	31 039 409
Water	8 370 518	928 985	7 441 533
Sewerage	4 634 200	571 918	4 062 282
Refuse Removal	4 012 131	641 434	3 370 697
Other receivables			
Housing rentals / instalments	55 075	4 494	50 581
Other	2 719 074	232 009	2 487 065
Total: Trade Receivables From Exchange Transactions	51 982 240	3 530 673	48 451 567

Receivables from Exchange Transactions are billed monthly, at the end of the month.

The average credit period for receivables from exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus 1 % per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from exchange transactions.

Other Receivables include outstanding debtors for various other services, e.g. Chemical Oxygen Demand, Treated Waste Water, Bulk Dumping and Sundry Services like Escorting of heavy vehicles, Advertisement costs, Cleaning of stands, etc.

Of the Receivables balance at the end of the year, R 2 429 110 (2016: R 2 269 553 Sasko (Pty) Ltd) is due from Sasko (Pty) Ltd, the municipality's largest customer.

There are no other receivables that represent more than 5% of the total balance of Receivables.

The municipality receives applications for services that it provide. Deposits are required for all electricity and water accounts opened.

Management of the municipality is of the opinion that the carrying value of Receivables approximate their amortised values.

No receivables from exchange transactions were pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables

Comparatives have been restated due to the correction of an error (refer to note 58. (a) (i), and (a) (vii)).

3. 1 Ageing of Service Debtors	2017 R	2016 R
<u>Electricity: Ageing</u>		Restated
Current (0 - 30 days)	29 905 500	29 172 156
<u>Past Due</u>		
31 - 60 Days	2 110 660	1 926 526
61 - 90 Days	56 295	181 313
91 - 120 Days	30 851	101 512
121 - 150 Days	20 607	91 846
151 - 180 Days	18 092	14 672
181 - 365 Days	84 164	11 721
366 Days - 2 Years	105 447	253 360
2 - 3 Years	198 856	72 466
+ 3 Years	497 891	365 670
	33 028 363	32 191 242
Less: Allowance for impairment	(1 279 791)	(1 151 833)
	31 748 572	31 039 409

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3. 1 Ageing of Service Debtors (continued)		
<u>Water: Ageing</u>		Restated
Current (0 - 30 days)	6 678 745	5 211 613
<u>Past Due</u>		
31 - 60 Days	1 128 677	830 231
61 - 90 Days	232 365	250 838
91 - 120 Days	152 008	187 035
121 - 150 Days	151 470	217 810
151 - 180 Days	154 248	178 870
181 - 365 Days	220 365	175 679
366 Days - 2 Years	635 455	645 893
2 - 3 Years	226 545	265 690
+ 3 Years	584 899	406 859
Total	10 164 777	8 370 518
Less: Allowance for impairment	(1 041 900)	(928 985)
	9 122 877	7 441 533
<u>Sewerage: Ageing</u>		Restated
Current (0 - 30 days)	2 597 035	2 255 423
<u>Past Due</u>		
31 - 60 Days	770 220	638 337
61 - 90 Days	190 398	140 428
91 - 120 Days	147 174	98 466
121 - 150 Days	123 250	77 359
151 - 180 Days	93 278	66 599
181 - 365 Days	153 123	92 823
366 Days - 2 Years	71 828	55 908
2 - 3 Years	64 534	140 932
+ 3 Years	1 378 943	1 067 925
Total	5 589 783	4 634 200
Less: Allowance for impairment	(690 967)	(571 918)
	4 898 816	4 062 282
<u>Refuse Removal: Ageing</u>		Restated
Current (0 - 30 days)	1 909 909	1 730 195
<u>Past Due</u>		
31 - 60 Days	587 806	499 449
61 - 90 Days	153 659	128 007
91 - 120 Days	121 085	93 811
121 - 150 Days	91 346	76 304
151 - 180 Days	79 603	63 269
181 - 365 Days	260 817	78 270
366 Days - 2 Years	459 205	431 988
2 - 3 Years	195 065	236 617
+ 3 Years	849 136	674 221
Total	4 707 631	4 012 131
Less: Allowance for impairment	(784 484)	(641 434)
	3 923 147	3 370 697

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3. 1 Ageing of Service Debtors (continued)		
<u>Housing rentals / instalments: Ageing</u>		
Current (0 - 30 days)	29 247	28 916
<u>Past Due</u>		
31 - 60 Days	18 851	18 673
61 - 90 Days	236	618
91 - 120 Days	-	600
121 - 150 Days	-	595
151 - 180 Days	-	591
181 - 365 Days	-	399
366 Days - 2 Years	-	3 196
2 - 3 Years	-	161
+ 3 Years	3	1 326
Total	48 337	55 075
Less: Allowance for impairment	(3 800)	(4 494)
	44 537	50 581
<u>Other Debtors: Ageing</u>		Restated
Current (0 - 30 days)	1 008 702	995 908
<u>Past Due</u>		
31 - 60 Days	197 784	143 109
61 - 90 Days	56 083	60 097
91 - 120 Days	75 345	26 738
121 - 150 Days	96 624	34 559
151 - 180 Days	84 765	25 466
181 - 365 Days	18 266	24 062
366 Days - 2 Years	294 467	361 080
2 - 3 Years	164 468	115 912
+ 3 Years	218 923	932 143
Total	2 215 427	2 719 074
Less: Allowance for impairment	(278 043)	(232 009)
	1 937 384	2 487 065

3. 2 Summary of Debtors by Customer Classification

	<u>Consumers</u> R	<u>Industrial/ Commercial</u> R	<u>National and Provincial Government</u> R	<u>Total</u> R
30th June 2017				
Current (0 - 30 days)	27 361 520	13 764 396	1 003 222	42 129 138
<u>Past Due</u>				
31 - 60 Days	3 597 990	1 205 103	10 905	4 813 998
61 - 90 Days	641 313	42 116	5 607	689 036
91 - 120 Days	501 667	21 252	3 544	526 463
121 - 150 Days	465 455	13 995	3 847	483 297
151 - 180 Days	405 028	19 643	5 315	429 986
181 - 365 Days	721 270	13 503	1 962	736 735
366 Days - 2 Years	1 489 330	62 678	14 394	1 566 402
2 - 3 Years	666 937	181 690	841	849 468
+ 3 Years	3 268 883	223 188	37 724	3 529 795
Sub-total	39 119 393	15 547 564	1 087 361	55 754 318
Less: Collective Allowance for Impairment	(2 791 266)	(1 287 719)	-	(4 078 985)
Total debtors by customer classification	36 328 127	14 259 845	1 087 361	51 675 333

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)****3. 2 Summary of Debtors by Customer Classification (continued)**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30th June 2016	R	R	R	R
Restated				
Current (0 - 30 days)	26 040 393	12 303 650	1 050 168	39 394 211
<u>Past Due</u>				
31 - 60 Days	3 099 331	945 041	11 953	4 056 325
61 - 90 Days	581 009	175 728	4 564	761 301
91 - 120 Days	405 052	101 505	1 605	508 162
121 - 150 Days	392 586	94 838	11 049	498 473
151 - 180 Days	334 122	13 426	1 919	349 467
181 - 365 Days	369 339	12 592	1 023	382 954
366 Days - 2 Years	1 546 458	200 435	4 532	1 751 425
2 - 3 Years	805 981	24 891	906	831 778
+ 3 Years	3 259 056	168 139	20 949	3 448 144
Sub-total	36 833 327	14 040 245	1 108 668	51 982 240
Less: Collective Allowance for Impairment	(2 404 482)	(1 126 191)	-	(3 530 673)
Total debtors by customer classification	34 428 845	12 914 054	1 108 668	48 451 567

Comparatives have been restated due to the correction of an error (refer to note 58. (a) (i) and (a) (vi)).

At 30 June 2017 debtors of R 9 546 195 (2016: R 9 057 356) were past due but not impaired. The age analysis of these debtors are as follows:

	2017	2016
	R	R
		Restated
31 - 60 Days	4 813 999	4 056 326
61 - 90 Days	689 034	761 301
91 - 120 Days	526 463	508 162
121 - 150 Days	483 296	498 472
151 - 180 Days	429 987	349 466
181 - 365 Days	736 735	382 955
+ 1 Year	1 866 681	2 500 674
Total	9 546 195	9 057 356

3. 3 Reconciliation of changes in Allowance Account

Balance at beginning of the year	3 530 673	3 813 314
Contribution to Allowance	3 096 266	1 702 640
<i>Bad debts written off against allowance:</i>		
<i>Electricity</i>	(69 052)	(183 135)
<i>Refuse Removal</i>	(223 083)	(295 612)
<i>Sewerage</i>	(267 729)	(367 848)
<i>Water</i>	(1 524 690)	(915 802)
<i>Housing</i>	(215 487)	(184)
<i>Other Debtors</i>	(247 913)	(222 700)
Balance at end of year	4 078 985	3 530 673

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

Recognition of financial assets

No Financial Assets have been transferred to other parties during the year.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R Restated
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Property Rates	11 479 637	10 154 069
Payments made in advance	1 630 330	1 390 851
Insurance claims	50 665	112 091
Traffic Fines: Syntel	12 774 293	24 554 643
Traffic Fines: TMT	16 605 425	-
Government grants and subsidies (Past due and not impaired)	-	-
Sundry debtors	894 379	480 929
Gross Balances	43 434 729	36 692 583
<i>Less: Collective Allowance for Impairment</i>		
Rates	(1 359 979)	(1 258 157)
Traffic Fines	(24 043 194)	(9 189 619)
Other	(43 867)	(90 803)
Net Balances	17 987 689	26 154 004
Sundry Debtors include sundry deposits, unclaimed wages, accruals cash deposits made to Eskom for the supply of electricity and debits outstanding at year-end on normal business transactions entered into by the municipality, in respect of uncleared bank reconciliation items.		
Comparatives have been restated due to the correction of an error (refer to note 58. (a) (i) and (a) (vi)).		
		Restated
<u>Rates: Ageing</u>		
Current (0 - 30 days)	5 967 154	5 403 108
<u>Past Due</u>		
31 - 60 Days	996 562	988 382
61 - 90 Days	170 919	199 163
91 - 120 Days	79 998	82 318
121 - 150 Days	52 737	56 012
151 - 180 Days	47 088	36 425
181 - 365 Days	542 499	73 275
366 Days - 2 Years	85 015	394 409
2 - 3 Years	71 495	398 859
+ 3 Years	3 466 170	2 522 118
Total	11 479 637	10 154 069
Less: Allowance for impairment	(1 359 979)	(1 258 157)
	10 119 658	8 895 912
		Restated
<u>Other Debtors: Ageing</u>		
Current (0 - 30 days)	2 846 798	2 878 987
<u>Past Due</u>		
31 - 60 Days	1 076 600	1 431 884
61 - 90 Days	1 079 450	1 294 300
91 - 120 Days	916 150	1 226 950
121 - 150 Days	1 373 000	787 650
151 - 180 Days	1 079 950	841 000
181 - 365 Days	10 755 100	6 115 225
366 Days - 2 Years	154 770	8 889 125
2 - 3 Years	1 530 925	3 073 393
+ 3 Years	11 142 349	-
Total	31 955 092	26 538 514
Less: Allowance for impairment	(24 087 061)	(9 280 422)
Total	7 868 031	17 258 092
Comparatives have been restated due to the correction of an error (refer to note 58. (a) (i) and (a) (v)).		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		Restated
At 30 June 2017 debtors of R 9 173 737 (2016: R 17 871 909) were past due but not impaired. The age analysis of these debtors are as follows:		
31 - 60 Days	2 073 162	2 420 266
61 - 90 Days	1 250 369	1 493 463
91 - 120 Days	996 148	1 309 268
121 - 150 Days	1 425 737	843 661
151 - 180 Days	1 127 037	877 425
181 - 365 Days	2 301 284	6 188 500
+ 1 Year	-	4 739 326
Total	9 173 737	17 871 909

Reconciliation of changes in Allowance Account

Balance at beginning of the year	10 538 579	20 041 272
<i>Contributions to Allowance</i>		
Rates	243 399	423 699
Traffic Fines	27 517 350	8 360 121
Other	35 365	1 655
<i>Bad debts written off against Allowance</i>		
Rates	(141 577)	(208 568)
Traffic Fines	(12 663 775)	(18 077 600)
Other	(82 301)	(2 000)
Reversal of Allowance	-	-
Balance at end of year	25 447 040	10 538 579

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

The allowance for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and by calculating the historical payment ratios for the groupings as well assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets.

The average credit period for receivables from non- exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from non- exchange transactions. No receivables from non- exchange transactions were pledged as security.

The Allowance for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together in the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Credit quality of receivables from non- exchange transactions

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Allowance account for collective Impairment of Financial Assets

The total amount of the allowance for impairment created is R 29 526 025 (2016: R 14 069 252) and the following loans and receivables are included therein:

Consumer Debtors	4 078 985	3 530 673
Sundry Debtors	25 447 040	10 538 579
Total Allowance for Doubtful Debts on Debtors	29 526 025	14 069 252

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	R	R
5. INVENTORY		
Consumable stores - at cost	7 392 737	7 674 672
Franking Machine and Postage	9 380	37 104
Go Green Prizes: Cellphones	13 319	1 665
Plastic Bags	15 116	13 065
Stationery - at cost	153 233	224 502
SMS Bundles	3 180	2 599
Water - at cost	267 312	176 228
Unsold properties held for resale - at cost	1 582 843	1 383 291
Total Inventory	9 437 120	9 513 126

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water purchases for the year amounted to R 5.00 per kilolitre (2016: R 4.65 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of inventories (excluding land inventories) recognised as expense and included in "General Expenses" amounted to R 4 560 531.76 (2016: R3 556 613). The cost of land inventories expensed has been separately disclosed on the Statement of Financial Performance.

Inventory to the amount of R 9031.44(2016: R 0) was written-down and included in "General Expenses".

6. VAT

VAT receivable	5 782 012	2 458 744
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Refer to note 19 for VAT conditions.

7. OPERATING LEASES**The Municipality as lessee****Leasing arrangements:**

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Buildings	1 530 567	2 399 382
Up to 1 year	916 254	903 670
1 to 5 years	614 313	1 495 712
More than 5 years	-	-
Computer and other equipment	297 678	323 793
Up to 1 year	162 137	204 501
1 to 5 years	135 541	119 292
More than 5 years	-	-
Total Operating Lease Commitments	1 828 245	2 723 175
The following payments have been recognised as an expense in the Statement of Financial Performance	1 178 823	1 116 896
Total Operating Lease Expenses - as Lessee	1 178 823	1 116 896

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June

Opening balance	(168 329)	(119 911)
Operating lease payments effected	1 187 672	1 068 478
Operating expenses recorded	(1 178 823)	(1 116 896)
Total Operating Lease Assets/(Liabilities)	(159 480)	(168 329)

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****7. OPERATING LEASES (continued)****2017
R****2016
R****The Municipality as Lessor:*****Leasing arrangements:***

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	486 231	343 848
1 to 5 years	622 519	380 809
More than 5 years	4 862	5 862
	1 113 612	730 519

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in an increase in current year's income of R 15 997.

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June

Opening balance	41 903	42 183
Operating lease payments received	(905 251)	(799 608)
Operating income recorded	921 248	799 328
	57 900	41 903

No restrictions have been imposed on the Municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT**30 June 2017**

Reconciliation of Carrying Value	Leased Assets	Movable Assets	Community	Land and Buildings	Infrastructure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2016	94 991	43 065 171	15 893 791	147 484 169	1 565 882 107	1 772 420 229
Cost	382 407	78 765 480	45 915 893	371 122 533	3 017 093 666	3 513 279 979
Transfers	-	-	-	-	-	-
Accumulated depreciation and Impairment	(287 416)	(35 700 309)	(30 022 102)	(223 638 364)	(1 451 211 559)	(1 740 859 750)
- Cost	(287 416)	(35 700 309)	(30 022 102)	(223 638 364)	(1 451 211 559)	(1 740 859 750)
- Transfers	-	-	-	-	-	-
Acquisitions (Cash)	-	7 776 957	2 555 713	14 361 811	35 310 316	60 004 797
Acquisitions (Non- Cash)	-	312 095	-	5 322 550	1 932 702	7 567 347
Capital under Construction	-	-	6 431 519	283 582	8 177 750	14 892 851
Transfers	(382 407)	382 407	(333 263)	(293 461)	27 055	(599 669)
Depreciation	287 416	(5 580 281)	(1 052 596)	(4 723 536)	(64 433 770)	(75 502 767)
- based on cost	-	(5 292 865)	(1 052 596)	(4 723 536)	(64 433 770)	(75 502 767)
- Transfers	287 416	(287 416)	-	-	-	-
Carrying value of disposals	-	(1 008 101)	-	(83 351)	(9 811 701)	(10 903 153)
Cost	-	(2 993 658)	(400 000)	(83 351)	(32 182 399)	(35 659 408)
Accumulated depreciation	-	1 985 557	400 000	-	22 370 698	24 756 255
Impairment losses	-	(192 273)	-	-	(49 949)	(242 222)
Carrying values at 30 June 2017	-	44 755 975	23 495 164	162 351 764	1 537 034 510	1 767 637 413
Cost	-	84 243 281	54 169 862	390 713 664	3 030 359 090	3 559 485 897
Accumulated depreciation and Impairment	-	(39 487 306)	(30 674 698)	(228 361 900)	(1 493 324 580)	(1 791 848 484)
- Cost	-	(39 487 306)	(30 674 698)	(228 361 900)	(1 493 324 580)	(1 791 848 484)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****8. PROPERTY, PLANT AND EQUIPMENT (continued)****30 June 2016**

Reconciliation of Carrying Value	Leased Assets	Movable Assets	Community	Land and Buildings	Infrastructure	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2015	154 935	47 234 726	14 856 872	150 793 533	1 550 324 402	1 763 364 468
Cost	382 407	77 353 644	43 831 237	369 326 546	2 945 665 041	3 436 558 875
Transfers	-	-	-	-	-	-
Correction of error (note 58.(a) ix and x).	-	1 436 099	2 394	-	(1 136 277)	302 216
Accumulated depreciation and Impairment	(227 472)	(31 555 017)	(28 976 759)	(218 533 013)	(1 394 204 362)	(1 673 496 623)
- Cost	(227 472)	(31 147 869)	(28 976 417)	(218 533 013)	(1 394 204 362)	(1 673 089 133)
- Transfers	-	-	-	-	-	-
- Correction of error (note 58.(a) ix and x).	-	(407 148)	(342)	-	-	(407 490)
Acquisitions (Cash)	-	2 278 317	1 617 538	1 335 308	67 025 717	72 256 880
Acquisitions (Non- Cash)	-	139 001	-	-	-	139 001
Capital under Construction	-	-	648 334	2 083 912	10 745 075	13 477 321
Transfers	-	-	-	(62 000)	(188 118)	(250 118)
Depreciation	(59 944)	(5 400 124)	(1 105 413)	(5 105 351)	(60 787 951)	(72 458 783)
- based on cost	(59 944)	(5 400 124)	(1 105 413)	(5 105 351)	(60 787 951)	(72 458 783)
	-	-	-	-	-	-
Carrying value of disposals	-	(647 066)	(123 540)	(1 561 233)	(1 234 018)	(3 565 857)
Cost	-	(2 441 581)	(183 610)	(1 561 233)	(5 017 772)	(9 204 196)
Accumulated depreciation	-	1 794 515	60 070	-	3 783 754	5 638 339
	-	(539 683)	-	-	(3 000)	(542 683)
Impairment losses	-	(539 683)	-	-	(3 000)	(542 683)
Carrying values at 30 June 2016	94 991	43 065 171	15 893 791	147 484 169	1 565 882 107	1 772 420 229
Cost	382 407	78 765 480	45 915 893	371 122 533	3 017 093 666	3 513 279 979
Accumulated depreciation and Impairment	(287 416)	(35 700 309)	(30 022 102)	(223 638 364)	(1 451 211 559)	(1 740 859 750)
- Cost	(287 416)	(35 700 309)	(30 022 102)	(223 638 364)	(1 451 211 559)	(1 740 859 750)

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year. Compensation in the amount of R 63 306 (2016: R 139 001), included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year. None of the above assets are pledged as security.

Impairment Losses on Property, Plant and Equipment to the amount of R 242 222 (2016: R 542 683) have been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36. This is mainly due to impairment of vehicles.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are Property, Plant and Equipment that have been fully depreciated at year-end and still in use by the municipality. The estimation of the useful lives of assets is a matter of judgement based on the municipality's experience with similar assets. Based on the useful lives and conditions of assets, certain assets have been scheduled for replacement, but due to budget constraints, the municipality did not replace the assets. However, these assets have been fully depreciated and shall remain fully depreciated until disposal and replacement.

During the reporting period, capital work in progressed, as management expected and there were no halts or delays of these projects.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
9. INVESTMENT PROPERTY		
At cost less accumulated depreciation	55 338 896	29 170 620

The movement in investment properties is reconciled as follows:

Carrying value at the beginning of the year	29 170 620	26 638 601
Cost	32 933 624	30 376 999
Accumulated depreciation	(3 763 004)	(3 738 398)
Additions to existing investment properties:		
Acquisitions (Cash)	1 924 790	1 200 000
Acquisitions (Non- Cash)	24 593 015	2 134 501
Transfer to Inventory (Grap 16.65 and 16.70)	(272 667)	(100 704)
Depreciation	(24 723)	(24 792)
Disposal at Cost	(298 000)	(677 172)
Disposal Depreciation	245 861	186
Carrying value at the end of the year	55 338 896	29 170 620
Cost	58 880 762	32 933 624
Accumulated depreciation	(3 541 866)	(3 763 004)

The following is included in the net surplus/(deficit)

Rental revenue earned from Investment Properties	367 437	356 039
Direct Operating expenses - incurred to generate rental revenue	193 075	226 966
Direct Operating expenses - incurred which did not generate rental revenue	1 968 988	2 232 157

Details of investment property:

Investment property consists of:

- Land	54 065 452	27 820 313
- Buildings	4 815 310	5 113 310
- Accumulated depreciation on Buildings	(3 541 866)	(3 763 003)

Fair Value of investment properties.

Investment Property included (Property land or a building, or part of a building, or both land or buildings held under a finance lease), held to earn rentals and/or the capital appreciation.

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

All of the municipality's Investment Properties are held under freehold interests and none had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

The fair value of investment properties is estimated at R 215 152 680 which is based on a valuation by an independent valuer who holds a recognised and relevant qualification. The determination of fair value is supported by market evidence.

10. INTANGIBLE ASSETS

30 June 2017

Reconciliation of Carrying Value	Software R	Website R	Total R
Carrying values at 01 July 2016	2 448 688	31 701	2 480 389
- Cost	5 018 264	69 704	5 087 968
Accumulated Amortisation and Impairment	(2 569 576)	(38 003)	(2 607 579)
- Cost	(2 569 576)	(38 003)	(2 607 579)
Acquisitions			
Purchased	-	-	-
Transfers	-	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****10. INTANGIBLE ASSETS (continued)**

Reconciliation of Carrying Value	Software	Website	Total
Other movements	-	-	-
Disposal at Cost	-	-	-
Disposal Depreciation	-	-	-
Amortisation	(657 661)	-	(657 661)
- based on Cost	(657 661)	-	(657 661)
Carrying values at 30 June 2017	1 791 027	31 701	1 822 728
- Cost	5 018 264	69 704	5 087 968
Accumulated amortisation	(3 227 237)	(38 003)	(3 265 240)
- Cost	(3 227 237)	(38 003)	(3 265 240)

30 June 2016**Restated**

Reconciliation of Carrying Value	Software	Website	Total
	R	R	R
Carrying values at 01 July 2015	3 015 296	31 701	3 046 997
Cost	5 030 751	69 704	5 100 455
- Transfers	-	-	-
Accumulated Amortisation and Impairment	(2 015 455)	(38 003)	(2 053 458)
- Cost	(2 015 455)	(38 003)	(2 053 458)
- Transfers	-	-	-
Acquisitions			
Purchased	8 136	-	8 136
Transfer	188 118	-	188 118
Other movements	(28 262)	-	(28 262)
Disposal at Cost	(208 741)	-	(208 741)
Disposal Depreciation	180 479	-	180 479
Amortisation	(734 600)	-	(734 600)
- based on Cost	(734 600)	-	(734 600)
Correction of error (Note 58)	-	-	-
Carrying values at 30 June 2016	2 448 688	31 701	2 480 389
- Cost	5 018 264	69 704	5 087 968
Accumulated amortisation	(2 569 576)	(38 003)	(2 607 579)
- Cost	(2 569 576)	(38 003)	(2 607 579)

Intangible Assets Useful Lives

The useful lives of Intangible Assets remain unchanged from the previous year, for which amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

The municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****11. HERITAGE ASSETS****30 June 2017**

Reconciliation of Carrying Value	Historical Monuments	Historical Buildings	Total
	R	R	R
Carrying value at the beginning of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900
Carrying value at the end of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900

30 June 2016

Reconciliation of Carrying Value	Historical Monuments	Historical Buildings	Total
	R	R	R
Carrying value at the beginning of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900
Additions to existing heritage assets	-	-	-
Carrying value at the end of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

12. LONG-TERM RECEIVABLES

	2017 R	2016 R
<i>Neither past due nor impaired</i>		
Loans to Public Organisations	-	197 520
Less : Current portion transferred to current receivables	-	(18 184)
Total	-	179 336

LOANS TO PUBLIC ORGANISATIONS

Under the previous dispensation loans raised at an interest rate of one percent per annum repayable over a period of forty years were granted by the State to the Municipality, who in turn made the said loans available to Public Organisations for the purpose of providing housing to indigent old age persons. The Municipality merely acted as an intermediary between the State and such Organisations. The outstanding balances of these loans were subsequently written off by the State whilst the annual instalment, still recoverable from the various Organisations, are credited to the Housing Fund. Loans are repaid over periods of thirty to forty years and at interest rates varying from 1 % to 11.25 % per annum. (See note 22)

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Long- Term Teceivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
13. FINANCE LEASE RECEIVABLES		
Housing selling scheme loans	10 263	13 787
Less : Current portion transferred to current receivables	(4 000)	(3 524)
Total	6 263	10 263

13. 1 Leasing Arrangements: House selling scheme loans

The municipality entered into Finance Leasing Arrangements for house selling scheme loans. The average term of Finance Leases entered into is between six and twenty years.

13. 2 Amounts receivable under finance leases

	Minimum Lease Payments		Present Value of Minimum Lease	
	2017 R	2016 R	2017 R	2016 R
Within one year	5 386	5 386	4 000	3 525
In the second to fifth year	8 315	11 416	6 263	8 369
Over five years	-	2 284	-	1 893
	13 701	19 086	10 263	13 787
Less: Unearned Finance	(3 438)	(5 299)		
Total Finance Lease Receivables	10 263	13 787	10 263	13 787

	2017 R	2016 R
Included in the Annual Financial Statements as:		
Current Finance lease receivables	4 000	3 524
Non-Current Finance lease receivables	6 263	10 263
	10 263	13 787

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 13.5 % per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund. (See note 22)

The interest rate inherent to the leases are fixed at the contract date over the entire lease term. The average effective interest rate contracted is 13.50 % (2016: 13.50 %) per annum.

Finance Lease Receivables are secured over the equipment leased. The municipality is not permitted to sell or repledge the collateral in the absence of default by the lessee.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

		Restated
Trade payables	44 990 333	49 023 451
Payments received in advance	1 274 517	921 335
Retentions	4 576 822	4 861 030
Staff leave	8 720 362	8 000 610
Other payables	6 595 178	12 367 755
Total Creditors	66 157 212	75 174 181

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. Retentions refer to construction contracts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
15. CONSUMER DEPOSITS		
Electricity and Water	10 113 788	9 376 686
Total Consumer Deposits	10 113 788	9 376 686

Guarantees amounting to R 662 653 (2016: R 662 653) are held in lieu of Electricity and Water Deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilize the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

16. LONG- TERM BORROWINGS

Annuity Loans	129 032 783	133 483 745
Capitalised Lease Liability (see to note 17).	-	1 125 104
Sub-total	129 032 783	134 608 849
Less : Current portion transferred to current liabilities	4 954 336	5 576 066
Annuity Loans	4 954 336	4 450 962
Capitalised Lease Liability	-	1 125 104
Total: Long-term Borrowings (Neither past due nor impaired)	124 078 447	129 032 783

Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2016: ten to twenty years), and at interest rates varying from 9.575 % to 10.96 % (2016: 9.575 % to 10.96 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 17.

Refer to APPENDIX A for more detail on long- term liabilities.

17. FINANCE LEASE LIABILITIES**The Municipality as lessee*****Leasing arrangements:***

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2016: five years). The effective interest rate on finance leases is between 6.43 % and 20.28 % (2016: 6.43 % and 20.28 %). Capitalised lease liabilities are secured over the items of office equipment leased.

The Municipality as lessee (continued)***The obligations under finance leases are scheduled below:***

	Minimum Lease Payments		Present Value of Minimum Lease	
	2017 R	2016 R	2017 R	2016 R
Amounts payable under finance leases				
Within one year	-	1 218 152	-	1 125 104
1 to 5 years	-	-	-	-
More than 5 years	-	-	-	-
	-	1 218 152	-	1 125 104
Less: Future finance charges	-	(93 048)		
Present Value of Lease obligations (see note 16)	-	1 125 104	-	1 125 104
Less amounts due for settlement within 12 months (current portion)			-	(1 125 104)
Amounts due for settlement after 12 months (non-current)			-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****18. PROVISIONS**

	2017 R	2016 R
Current portion of Post-Employment Health Care Benefits(see note 21)	2 000 998	1 777 740
Current portion of Long-Service Awards (see note 21)	1 219 551	1 306 311
Bonuses	3 914 184	3 605 627

Total Provisions

7 134 733	6 689 678
------------------	------------------

The movement in current provisions are reconciled as follows:

	Bonuses R	Post- Employment Health Care Benefits R	Current portion of Long- service awards R
30 June 2017			
Balance at beginning of year	3 605 627	1 777 740	1 306 311
Contributions to provision	3 914 184	2 196 349	765 344
Expenditure incurred	-	(1 973 091)	(852 104)
Reversal of provision	(3 605 627)	-	-
Balance at end of year	3 914 184	2 000 998	1 219 551

	Bonuses R	Post- Employment Health Care Benefits R	Current portion of Long- service awards R
30 June 2016			
Balance at beginning of year	3 165 999	1 595 964	625 861
Contributions to provision	3 605 627	1 889 842	1 270 750
Expenditure incurred	-	(1 708 066)	(590 300)
Reversal of provision	(3 165 999)	-	-
Balance at end of year	3 605 627	1 777 740	1 306 311

Bonuses

Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year.

For more information on the Post-employment health care and long service awards see note 21.

19. VAT

VAT is accounted for on the payment basis. Only when payment has been received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2017 R	2016 R
20.1 Conditional Grants by other spheres of Government	10 987 494	1 533 773
ACIP: Water Conservation	-	-
Community Development: Workers	-	1 687
Extended Public Works Programme	-	-
Financial Management Grant	-	-
Financial Management Support Grant: SCOA	217 835	36 533
Financial Management Support Grant: Graduate Internship Programme	60 000	-
Financial Management Support Grant: Student Bursaries	120 000	-
Greenest Town	-	-
Housing: Phola Park	429 929	-
Housing: Riebeeck Wes	-	-
Integrated National Electrification Programme	-	-
Library	-	-
Municipal Infrastructure Grant	-	-
Municipal Systems Improvement Grant	-	312 267

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (continued)		
Proclaimed Roads	4 304 688	-
Refurbishment Municipal Flats	1 862 820	-
Regional Socio- Economic Project (RSEP)	3 992 222	1 183 286
Sport Development	-	-
Zondeza	-	-
20.2 Other Receipts	3 426 493	4 500 000
Bokomo: Road Upgrade	3 426 493	4 500 000
Bokomo: Road Upgrade	-	-
National Lottery	-	-
Zodeza (Slimsun)	-	-
Total Conditional Grants and Receipts	14 413 987	6 033 773

The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions applicable to all grants received to the extent of revenue recognised. No grants were withheld. The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for reconciliation of grants by other spheres of government.

21. PROVISION FOR EMPLOYEE BENEFITS

Post-Employment Health Care Benefit Liability	59 115 765	58 425 768
Long Service Awards	9 011 689	9 142 519
Total: Employee Benefits	68 127 454	67 568 287
Less: Transfer to Current Provisions: Post-Employment Health Care Benefit Liability	(2 000 998)	(1 777 740)
Less: Transfer to Current Provisions: Long Service Awards	(1 219 551)	(1 306 311)
Net Employee Benefits	64 906 905	64 484 236

Post-Employment Health Care Benefit Liability

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2017 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement or long service benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, consisting of the following number of members:

- In-service members	259	252
- Continuation members	51	53
Total	310	305

The liability in respect of past service has been estimated to be as follows:

- In-service members	36 791 311	37 134 145
- Continuation members	22 324 454	21 291 623
	59 115 765	58 425 768

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The future service cost for the ensuing year is established to be R 2 705 888, whereas the interest-cost for the next year is estimated to be R 5 639 690 (2016: R 2 945 386 and R 5 217 771 respectively).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	R	R

21. PROVISION FOR EMPLOYEE BENEFITS (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.70 %	9.07 %
Health Care Cost Inflation Rate	7.98 %	8.18 %
Net Effective Discount Rate	1.59 %	0.81 %
Expected Rate of Salary Increase	6.35 %	7.23 %
General Inflation Rate (CPI)	5.35 %	6.68 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	59 115 765	58 425 768
Present value of unfunded obligations	59 115 765	58 425 768
Benefit Liability	59 115 765	58 425 768

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 945 386	2 560 999
Interest cost	5 217 771	4 374 465
Actuarial (gains)/losses	(5 500 069)	3 601 405
Total included in Employee Related Costs (see to note 34).	2 663 088	10 536 869

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	58 425 768	49 596 965
Current service cost	2 945 386	2 560 999
Interest cost	5 217 771	4 374 465
Benefits paid	(1 973 091)	(1 708 066)
Actuarial (gain)/loss on the obligation	(5 500 069)	3 601 405
Balance at end of year	59 115 765	58 425 768

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase

Effect on the aggregate of the current service cost and the interest cost	1 577 900	1 599 600
Effect on the defined benefit obligation	9 544 002	9 733 722

Decrease

Effect on the aggregate of the current service cost and the interest cost	(1 257 200)	(1 269 000)
Effect on the defined benefit obligation	(7 751 120)	(7 871 668)

The history of experienced adjustments is as follows:

	2017	2016	2015	2014	2013
	R	R	R	R	R
Defined benefit obligation	59 115 765	58 425 768	49 596 965	44 983 000	39 121 000
Experience adjustments on plan liabilities	2 264 246	1 047 819	(318 887)	3 300 000	6 006 000

The municipality expects to make a contribution of R 8 345 578 (2016: R8 163 157) to the defined benefit plans during the next financial year.

Refer to Note 51 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2016 may become entitled to in future, based on an actuarial valuation performed at that date.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
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21. PROVISION FOR EMPLOYEE BENEFITS (continued)*Long Service Awards (continued)*

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 68 (2016: 52) employees were eligible for Long-service Awards.

The future service cost for the ensuing year is established to be R 732 751 whereas the interest-cost for the next year is estimated to be R 717 501 (2016: R 744 901 and R 729 459 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.53 %	8.58 %
Expected Rate of Salary Increase	6.35 %	7.23 %
Net Effective Discount Rate	2.05 %	1.26 %
General Inflation Rate (CPI)	5.35 %	6.23 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9 011 689	9 142 519
	9 011 689	9 142 519
Present value of unfunded obligations	9 011 689	9 142 519
Net liability	9 011 689	9 142 519

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	744 901	726 086
Interest cost	729 459	676 862
Actuarial (gain)/loss on the obligation	(753 087)	(294 366)
Total included in Employee Related Costs (see to note 34).	721 273	1 108 582

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	9 142 519	8 624 237
Current service cost	744 901	726 086
Interest cost	729 459	676 862
Benefits paid	(852 103)	(590 300)
Actuarial (gain)/loss on the obligation	(753 087)	(294 366)
Balance at end of year	9 011 689	9 142 519

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	9 011 689	9 142 519	8 624 237	8 418 000	7 919 000
Experience adjustments on plan liabilities	(227 440)	(45 580)	(221 306)	310 000	1 350 000

22. STATUTORY FUND: HOUSING DEVELOPMENT**Housing Fund****Analysis of the composition of the Housing Development Fund:****Housing Development Fund**

Loans extinguished by Government on 1 April 1998

10 263	211 307
10 263	211 307

The Housing Development Fund is represented by the following assets and liabilities:

Housing selling scheme loans (see note 13).	10 263	13 787
Long- Term Receivables (see note 12).	-	197 520

Total Housing Development Fund Assets and Liabilities

10 263	211 307
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SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
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22. STATUTORY FUND: HOUSING DEVELOPMENT (continued)

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

23. RESERVES: CAPITAL REPLACEMENT

Balance at the beginning of the year	140 706 563	100 000 000
Contribution from accumulated Surplus	43 000 000	66 000 000
Capital Contributions received	2 034 716	1 004 028
Funding Capital Projects	(43 163 533)	(26 297 465)
Total Capital Replacement Reserve	142 577 746	140 706 563

The Capital Replacement Reserve is a reserve to finance future capital expenditure, is fully funded and invested in Financial Instruments.

Restated**24. ACCUMULATED SURPLUS**

Accumulated surplus/(deficit) due to the results of operations	1 824 902 306	1 753 352 225
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Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 58 "Correction of Error" for details of the restatements.

- Recognition of items erroneously capitalised
- Recognition of items not capitalised
- Recognition of accruals not raised

25. PROPERTY RATES

<u>Actual</u>		Restated
Residential	57 073 006	55 702 536
Commercial	9 571 028	6 675 253
Industrial	5 584 066	4 426 339
Rural	13 588 403	12 242 715
State	7 779 357	4 347 318
	93 595 860	83 394 161
Less: Revenue Forgone	3 727 461	3 566 760
Total Assessment Rates	89 868 399	79 827 401

Valuations

<u>Actual</u>		
Residential	10 923 943 980	9 255 531 656
Commercial	1 397 164 900	887 603 250
Industrial	823 274 000	586 129 887
Rural	11 476 585 500	7 712 185 767
State	1 142 888 000	577 576 500
	25 763 856 380	19 019 027 060

Assessment Rates are levied on the value of land and improvements, less R 15 000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on a bi- annual basis in November and April of each year to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2016.

Differential rates of 0.005449 c/R for residential properties and 0.006811 c/R for commercial, industrial, rural and state properties (2015/2016: 0.006319 and 0.007631 c/R) on land and building valuations were applied to determine assessment rates. A rebate of 0,00 % (2015/2016: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 55 % (2015/2016: 65 %) was granted on properties owned by residence of Jakkalsfontein and Grotto Bay and a discount of 80 % (2015/2016: 76%) on agricultural land. A exemption of R 15 000 on the value of the property is granted to residential property owners. A further R 300 000 (2015/2016: R 200 000) discount on the market value of the property, over and above the aforementioned R 15 000 is granted on the value of the property for residents 65 years and older on condition that they occupy the premises.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month. Interest is levied at the prime rate plus 1% on outstanding property rates amounts.

Revenue Forgone are in respect of assistance to and providing basic services to indigent households to an amount equal to the property valuation up to R 80 000 (2015/2016: R 100 000).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES		
<i>Conditional Grants</i>		
ACIP: Water Conservation	288 910	-
Community Development: Workers	38 687	34 313
Energy Efficiency and Demand Side Management	-	5 000 000
Extended Public Works Programme	1 460 000	1 185 000
Financial Management Grant	1 475 000	1 548 705
Financial Support: Bulk SMS System	-	49 533
Financial Management Support Grant: SCOA	38 698	13 467
Financial Management Support Grant: Graduate Internship Programme	-	-
Financial Management Support Grant: Student Bursaries	-	-
Financial Management Support Grant: Long Term Financial Plan	-	100 000
Fire Damage Houses	-	48 334
Greenest Town	70 000	50 000
Housing: Abbotsdale	-	-
Housing Phola Park	6 476 624	44 824 910
Housing: Riebeek Wes	1 020 241	-
Integrated National Electrification Programme	6 000 000	-
Libraries	9 646 000	8 613 180
Municipal Infrastructure Grant	20 330 000	22 709 000
Municipal Systems Improvement Grant	312 267	617 733
Proclaimed Roads	7 633 655	9 948 000
Refurbishment Municipal Flats	2 939 716	1 012 354
Regional Socio- Economic Project (RSEP)	4 691 064	666 714
Sport Development	54 000	-
Sondeza	100 000	100 000
Thusong Centre	-	100 000
Total: Conditional Grants	62 574 862	96 621 243
<i>Unconditional Grants</i>		
Equitable Share	59 275 000	51 772 000
Total: Unconditional Grants	59 275 000	51 772 000
Total Government Grant and Subsidies	121 849 862	148 393 243
26.1 ACIP		
Balance unspent at beginning of year	-	-
Current year receipts	288 910	-
Conditions met - transferred to revenue	(288 910)	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds made available for the planning of the Sunnyside Water Pipeline.		
26.2 Community Development: Workers		
Balance unspent at beginning of year	1 687	-
Current year receipts	37 000	36 000
Conditions met - transferred to revenue	(38 687)	(34 313)
Conditions still to be met transferred to liabilities (see note 20)	-	1 687
Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.		
26.3 Energy Efficiency and Demand Side Management		
Balance unspent at beginning of year	-	-
Current year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to improve efficiency of electricity usage.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)		
26. 4 Extended Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 460 000	1 185 000
Conditions met - transferred to revenue	(1 460 000)	(1 185 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to create jobs.		
26. 5 Financial Management Grant		
Balance unspent at beginning of year	-	98 705
Current year receipts	1 475 000	1 450 000
Conditions met - transferred to revenue	(1 475 000)	(1 548 705)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.		
26. 6 Financial Support: Bulk SMS System		
Balance unspent at beginning of year	-	-
Current year receipts	-	49 533
Conditions met - transferred to revenue	-	(49 533)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to modernise and improve its SMS System .		
26. 7 Financial Management Support Grant: SCOA		
Balance unspent at beginning of year	36 533	-
Current year receipts	220 000	50 000
Conditions met - transferred to revenue	(38 698)	(13 467)
Conditions still to be met transferred to liabilities (see note 20)	217 835	36 533
The purpose of the grant is to enable the Municipality to implement mSCOA .		
26. 8 Financial Management Support Grant: Graduate Internship Programme		
Balance unspent at beginning of year	-	-
Current year receipts	60 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 20)	60 000	-
The purpose of the grant is to enable the Municipality to capacitate graduate interns who are technically ready for possible consideration as employees within municipalities.		
26. 9 Financial Management Support Grant: Student Bursaries		
Balance unspent at beginning of year	-	-
Current year receipts	120 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 20)	120 000	-

Municipal bursary programmes that enable municipalities to attract top performing learners and learners with potential to succeed in Higher Education Institutions (HEI) in the areas such as finance, economics, accounting, supply chain management, internal audit, risk management, infrastructure, etc.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)		
26. 10 Financial Management Support Grant: Long Term Financial Plan		
Balance unspent at beginning of year	-	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to compile a Long- Term Financial Plan.		
26. 11 Fire Damage: Housing		
Balance unspent at beginning of year	-	48 334
Current year receipts	-	-
Conditions met - transferred to revenue	-	(48 334)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the repair costs of houses damaged by fire for low income groups.		
26. 12 Greenest Town		
Balance unspent at beginning of year	-	-
Current year receipts	70 000	50 000
Conditions met - transferred to revenue	(70 000)	(50 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Prize money for achieving 2nd place at the National Greenest Town Competition.		
26. 13 Housing: Abbotsdale		
Balance unspent at beginning of year	-	-
Current year receipts	-	400 253
Conditions met - transferred to revenue	-	-
Transferred to debtors	-	(400 253)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
26. 14 Housing: Phola Park		
Balance unspent at beginning of year	-	-
Current year receipts	6 906 553	52 647 015
Conditions met - transferred to revenue	(6 476 624)	(44 824 910)
Transferred to debtors	-	(7 822 105)
Conditions still to be met transferred to liabilities (see note 20)	429 929	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
26. 15 Housing: Riebeeck Wes		
Balance unspent at beginning of year	-	-
Current year receipts	1 020 241	-
Conditions met - transferred to revenue	(1 020 241)	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
26. 16 Integrated National Electrification Programme		
Balance unspent at beginning of year	-	-
Current year receipts	6 000 000	-
Conditions met - transferred to revenue	(6 000 000)	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)****26. 17 Libraries**

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current year receipts	9 646 000	8 613 180
Conditions met - transferred to revenue	(9 646 000)	(8 613 180)

Conditions still to be met transferred to liabilities (see note 20)

-	-
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Funds provided for the partial funding of the operational and capital costs of libraries in the area under the jurisdiction of the Swartland Municipality.

26. 18 Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-
Current year receipts	20 330 000	22 709 000
Conditions met - transferred to revenue	(20 330 000)	(22 709 000)

Conditions still to be met transferred to liabilities (see note 20)

-	-
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Funds made available to the Municipality for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection / construction of new amenities required for service delivery and the development of sport.

26. 19 Municipal Systems Improvement Grant

Balance unspent at beginning of year	312 267	-
Current year receipts	-	930 000
Conditions met - transferred to revenue	(312 267)	(617 733)

Conditions still to be met transferred to liabilities (see note 20)

-	312 267
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The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities.

26. 20 Proclaimed Roads Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	11 938 343	9 948 000
Conditions met - transferred to revenue	(7 633 655)	(9 948 000)

Conditions still to be met transferred to liabilities (see note 20)

4 304 688	-
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Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs are partly recoverable from the Administration.

26. 21 Refurbishment of Municipal Flats

Balance unspent at beginning of year	-	-
Current year receipts	4 802 536	1 012 354
Conditions met - transferred to revenue	(2 939 716)	(1 012 354)

Conditions still to be met transferred to liabilities (see note 20)

1 862 820	-
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Funds allocated in respect of the renovation of the Municipal Flats.

26. 22 Regional Socio- Economic Project (RSEP)

Balance unspent at beginning of year	1 183 286	-
Current year receipts	7 500 000	1 850 000
Conditions met - transferred to revenue	(4 691 064)	(666 714)

Conditions still to be met transferred to liabilities (see note 20)

3 992 222	1 183 286
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Funds received from PAWC for the social upliftment in lower income areas to improve living conditions and combat crime

26. 23 Sport Development

Balance unspent at beginning of year	-	-
Current year receipts	54 000	-
Conditions met - transferred to revenue	(54 000)	-

Conditions still to be met transferred to liabilities (see note 20)

-	-
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Funds received from PAWC for the social upliftment in lower income areas on sport development.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)****26. 24 Sondeza**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

**2017
R****2016
R**

-	-
100 000	100 000
(100 000)	(100 000)

Conditions still to be met transferred to liabilities (see note 20)

-	-
---	---

Funds received from PAWC for the hosting of a Youth Camp.

26. 25 Thusong Centre: Operational Support

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

-	-
-	100 000
-	(100 000)

Conditions still to be met transferred to liabilities (see note 20)

-	-
---	---

Funds allocated and expended in respect of the operations of the Thusong Centre.

26. 26 Equitable Share

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

-	-
59 275 000	51 772 000
(59 275 000)	(51 772 000)

Conditions still to be met transferred to liabilities (see note 20)

-	-
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In terms of the Constitution, article 227 (1) (a) a Municipality is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. This unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.

26. 27 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. PUBLIC CONTRIBUTIONS AND DONATIONS**Public Contributions and donations**

Bokomo Road Upgrade

Bokomo: Road Upgrade

PPC: Upgrading Riebeek Valley WWTW

Zodeza (Slimsun)

666 000	-
1 073 507	-
-	1 500 000
35 000	-

Total: Public Contributions and donations

1 774 507	1 500 000
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Other contributions and donations

National Lottery

-	980 440
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Total: Other contributions and donations

-	980 440
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Total: Contributions and donations

1 774 507	2 480 440
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27. 1 Bokomo: Road Upgrade

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

-	-
666 000	-
(666 000)	-

Conditions still to be met transferred to liabilities (see note 20)

-	-
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Funds contributed by Bokomo for the upgrading of the Traffic Light in Bokomo Road.

27. 2 PPC: Upgrading of Riebeek Valley WWTW

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

-	-
-	1 500 000
-	(1 500 000)

Conditions still to be met transferred to liabilities (see note 20)

-	-
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Funds contributed by PPC for the upgrading of the Riebeek Valley Waste Water Treatment Works.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
27. PUBLIC CONTRIBUTIONS AND DONATIONS (continued)		
27.3 Bokomo Road Upgrade		
Balance unspent at beginning of year	4 500 000	4 500 000
Current year receipts	-	-
Conditions met - transferred to revenue	(1 073 507)	-
Conditions still to be met transferred to liabilities (see note 20)	3 426 493	4 500 000
Funds contributed by Bokomo for the upgrading of the Traffic Light and the Intersection in Bokomo Road.		
27.4 Zodeza (Slimsun)		
Balance unspent at beginning of year	-	-
Current year receipts	35 000	-
Conditions met - transferred to revenue	(35 000)	-
Transferred to Debtors	-	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds received for the hiring of a bus to transfer students attending the Youth Camp.		
27.5 National Lottery		
Balance unspent at beginning of year	-	980 440
Current year receipts	-	-
Conditions met - transferred to revenue	-	(980 440)
Transferred to Debtors	-	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds allocated for the establishment and upgrading of sport facilities.		
28. FINES		
Fines: Councillors	1 097	-
Library Chatsworth	782	646
Library Darling	4 348	8 596
Library Malmesbury	11 879	19 740
Library Moorreesburg	3 684	6 632
Library Riebeek Kasteel	2 263	3 579
Library Riebeek Wes	3 807	6 632
Library Abbotsdale	157	-
Library Wesbank	6 614	10 312
Traffic and other Fines	23 156 610	17 294 750
Total Fines	23 191 241	17 350 887
29. LICENCES AND PERMITS		
Application: Driver Licenses	828 279	763 296
Application: Instruction Certificate	2 171	2 461
Application: Learner Licenses	229 114	227 385
Application: Roadworthy Certificate	409 094	428 296
Application: Special Permits	52 464	47 856
Application: Temporary Permits	77 814	80 586
Drivers Licenses: Issue	364 183	346 258
Drivers Licenses: Temporary	82 897	72 713
Instruction Certificates: Issue	58	174
Learners License: Duplicate	5 501	4 661
Learners Licenses: Issue	62 614	60 530
Roadworthy Certificates	80 736	84 615
Licences: Deregistration, Special a	33 200	27 500
Licenses: Trading	956	1 552
Professional Driver Permits	133 476	130 738
Registrations: Duplicate	120 945	112 200
Registrations Vehicles	1 401 108	1 371 281
Registrations: Vehicle Information	242	198
Traffic Register: Duplicate	6 039	5 643
Total: Licences And Permits	3 890 891	3 767 943

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

30. SERVICE CHARGES	2017 R	2016 R Restated
Sale of electricity	242 771 685	229 687 810
Sale of water	54 000 789	47 028 799
Refuse removal	32 012 727	29 661 290
Sewerage and sanitation charges	49 541 180	44 033 231
	378 326 381	350 411 130
Less: Revenue Forgone	48 446 330	45 285 865
Total Service Charges	329 880 051	305 125 265

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. Revenue Forgone (including departmental recoveries) are in respect of assistance by providing free basic services to indigent households as follows: Electricity = 50 kWh, Water = 9 kl, Sewerage = R 176 and Refuse = R 101.

31. RENTAL OF FACILITIES AND EQUIPMENT

		Restated
Rental Revenue from Buildings	367 437	356 039
Rental Revenue from Halls	296 283	269 709
Rental Revenue from Other facilities	3 515 903	3 020 264
Total Rental of Facilities and Equipment	4 179 623	3 646 012

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

32. INTEREST EARNED**External Investments / Cash Deposits:**

		Restated
Bank Account	368 476	385 106
Interest earned- Investments	26 688 390	19 743 686
Interest earned- Land Sales	22 600	86 278
	27 079 466	20 215 070

Outstanding Debtors:

Rates	475 045	427 732
Long-term Receivables	2 779	2 305
Consumer Debtors	1 281 789	1 166 818
Other Debtors	149 123	108 282
	1 908 736	1 705 137

Total Interest Earned

28 988 202	21 920 207
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Interest Earned on Financial Assets, analysed by category of asset, is as follows:

		Restated
Loans and Receivables	28 988 202	21 920 207
	28 988 202	21 920 207

33. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

		Restated
Administration Costs	66 908	55 661
Admission Fees: Malmesbury	134 223	157 446
Admission Fees: Moorreesburg	-	57 906
Advertisement: Newspapers	277 599	259 030
Application: Service Connections	265 431	253 078
Blockages: Sewerage	300 747	297 240
Bulk Waste Dumping	743 959	762 376
Capital Contributions	2 024 847	885 949
Cemetery Fees: Darling	102 421	77 825
Cemetery Fees: Malmesbury	172 334	171 895
Cemetery Fees: Moorreesburg	187 895	161 720
Clearance Certificates	175 165	176 098
Commission: Collections	51 371	61 987
Consent use	88 288	83 117
Day Visitors	77 751	56 680
Deviation of Building Regulation	83 395	92 483
Discount: Fuel	68 941	76 711
Efficiency Development	124 781	302 781
Excess Payment: Insurance Claims	203 457	216 000

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
33. OTHER REVENUE FROM EXCHANGE TRANSACTIONS (continued)		
Equipment: Insurance	63 306	116 421
Film Shooting	137 772	165 215
Gain on vesting of Properties	29 942 065	2 134 501
Industrial Sewerage	6 461 453	4 862 535
New Connections	3 807 979	2 588 322
Occupation Certificates	279 244	263 195
Photostats	145 417	127 487
Plan fees: Buildings	2 413 905	3 267 935
Plan Fees: Unauthorized Building	-	-
Rates: Lessees	142 669	134 923
Refuse Bins	66 777	56 449
Refuse Coupons: Darling	75 712	58 247
Refuse Coupons: Malmesbury	412 977	309 269
Refuse Coupons: Moorreesburg	72 553	115 720
Rezoning	84 799	86 675
Selling: Bulk Water	-	72 610
Selling: Purified Sewerage Water	1 465 257	1 331 894
Special Waste Dumping	761 255	590 244
Streets Entrances and Pavements	93 901	85 354
Subdivisions	-	53 745
Sundries	-	-
Tender Documentation Fees	67 515	-
Traffic Support Services	121 923	50 778
Valuation Certificates	123 049	121 780
Housing Scheme/Private Organisations Loan Instalments	146 524	165 780
Other (less than R 50 000)	677 627	618 609

Total Other Income**52 713 192****21 583 671**

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 3 and 4, which are billed to or paid for by the users according to approved tariffs.

34. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	99 996 875	90 896 633
Employee related costs - Contributions for UIF, pensions and medical aids	26 649 358	25 168 825
Travel, motor car, accommodation, subsistence and other allowances	13 682 699	13 346 343
Housing benefits and allowances	706 454	645 301
Overtime payments	7 165 182	5 669 715
Bonuses: 13th Cheque	7 712 572	7 286 836
Contribution to Leave Gratuity	1 497 790	1 370 828

Contribution to provision for post- retirement medical aid benefits:**2 663 088****10 536 869***Current service cost*

2 945 386

2 560 999

Interest cost

5 217 771

4 374 465

Actuarial (gains)/losses

(5 500 069)

3 601 405

Contribution to long-service provision

1 040 151

1 108 582

Total Employee Related Costs**161 114 169****156 029 932****Remuneration of Section 57 Employees:****Remuneration of the Municipal Manager**

Allowance	6 717	-
Annual Remuneration	1 271 449	1 232 069
Car Allowance	225 920	221 175
Cell Phone Allowance	13 026	13 183
Leave Pay	60 794	52 734
Long Service	121 803	-
Other	2 538	2 049
Contributions to UIF, Medical and Pension Funds, etc.	282 777	271 339

Total**1 985 024****1 792 549**

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

34. EMPLOYEE RELATED COSTS (continued)	2017 R	2016 R
<u>Remuneration of the Chief Finance Officer</u>		
Allowance	72 882	-
Annual Remuneration	801 806	714 431
Back Pay	15 063	-
Car Allowance	97 433	55 028
Cell Phone Allowance	12 400	12 768
Leave Pay	-	23 679
Other	3 620	946
Contributions to UIF, Medical and Pension Funds, etc.	214 608	190 120
Total	1 217 812	996 972

Remuneration of Individual Executive Directors**30 June 2017**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
	R	R	R	R	R
Annual Remuneration	834 733	883 773	842 242	856 958	827 910
Car Allowance	73 399	86 841	172 515	145 250	185 946
Cell Phone Allowance	7 275	12 596	10 103	10 575	13 200
Leave Pay	-	-	39 563	-	48 214
Long Service	-	197 075	-	-	-
Other	-	-	519	1 383	67
Contributions to UIF, Medical and Pension Funds, etc.	206 306	217 477	228 400	211 886	229 901
Total	1 121 713	1 397 762	1 293 342	1 226 052	1 305 238

30 June 2016

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
	R	R	R	R	R
Annual Remuneration	777 865	817 037	772 740	789 120	757 058
Car Allowance	72 643	85 996	163 291	143 672	181 062
Cell Phone Allowance	7 768	12 521	9 462	10 238	13 126
Leave Pay	-	-	34 195	-	37 012
Other	-	-	500	137	327
Contributions to UIF, Medical and Pension Funds, etc.	192 555	201 258	209 508	205 854	208 726
Total	1 050 831	1 116 812	1 189 696	1 149 021	1 197 311

The following accrued to key management personnel in terms of GRAP 25 as at 30 June:

Post Retirement Medical Aid Benefit Liability:

Municipal Manager	419 106	378 091
Chief Financial Officer	26 610	-
Executive Director: Corporate Services	218 460	209 884
Executive Director: Civil Engineering Services	537 112	542 586
Executive Director: Electrical Engineering Services	952 906	844 962
Executive Director: Development Services	525 167	542 586
Executive Director: Protection Services	479 865	433 780
Total	3 159 226	2 951 889

Long Service Awards Liability

Municipal Manager	81 104	206 107
Chief Financial Officer	2 378	-
Executive Director: Corporate Services	196 778	174 938
Executive Director: Electrical Engineering Services	80 965	68 864
Executive Director: Protection Services	67 594	58 070
Total	428 819	507 979

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

34. EMPLOYEE RELATED COSTS (continued)	2017 R	2016 R
<i>Staff leave</i>		
Municipal Manager	174 340	230 850
Chief Financial Officer	53 147	-
Executive Director: Corporate Services	241 964	234 285
Executive Director: Civil Engineering Services	126 826	113 439
Executive Director: Electrical Engineering Services	394 822	369 352
Executive Director: Development Services	453 278	396 763
Executive Director: Protection Services	70 585	78 420
Total	1 514 962	1 423 109

No advances were made to employees.

35. REMUNERATION OF COUNCILLORS

Executive Mayor	506 300	503 367
Deputy Executive Mayor	445 831	410 639
Speaker	383 377	352 791
Mayoral Committee Members	1 566 310	1 459 159
Councillors	3 047 037	2 432 257
Councillors' - pension contribution	862 143	773 607
Councillors' - medical aid contribution	192 284	290 023
Councillors' - travelling allowances	1 345 557	1 942 122
Councillors' - telephone allowances	538 784	479 964
Total Councillors' - Remuneration	8 887 623	8 643 929

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

36. DEPRECIATION, IMPAIRMENT AND AMORTISATION

Depreciation: Property, Plant and Equipment (Refer note 8)	75 502 767	72 866 273
Amortisation: Intangible Assets (Refer note 10)	657 661	734 600
Depreciation: Investment Property (Refer note 9.)	24 723	24 792
Impairment: Property, Plant and Equipment (Refer note 8)	242 222	542 683
Total: Depreciation , Impairment and Amortisation	76 427 373	74 168 348

37. FINANCE COST

Long-term liabilities	13 824 596	14 271 643
Finance Leases	29 098	211 868
Total Interest on External Borrowings	13 853 694	14 483 511

38. REPAIRS AND MAINTENANCE

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

MOVABLE ASSETS:

	5 664 803	5 070 916
<i>Furniture and Office Equipment</i>	166 520	189 372
Contracted Services	160 990	185 599
Inventory Consumed	5 530	3 773
<i>Machinery and Equipment</i>	1 448 499	1 107 488
Contracted Services	1 050 903	1 107 488
Inventory Consumed	397 596	-
<i>Transport Assets</i>	3 543 995	3 481 927
Contracted Services	3 543 995	3 481 927
<i>Information and Communication Infrastructure</i>	505 789	292 129
Contracted Services	505 789	290 959
Inventory Consumed	-	1 170

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
38. REPAIRS AND MAINTENANCE (continued)		
<u>COMMUNITY ASSETS:</u>	6 593 438	4 727 980
Contracted Services	6 569 797	4 700 453
Inventory Consumed	23 641	13 061
Other Operational Costs	-	14 466
<u>LAND AND BUILDINGS:</u>	2 162 063	2 459 674
<i>Buildings</i>	1 975 438	2 269 465
Contracted Services	1 911 698	2 269 465
Inventory Consumed	63 740	-
<i>Housing scheme houses</i>	186 625	190 209
Contracted Services	182 012	190 209
Inventory Consumed	4 613	-
<u>INFRASTRUCTURE ASSETS:</u>	15 573 747	18 034 491
<i>Electrical Infrastructure</i>	1 038 979	738 943
Contracted Services	690 327	365 167
Inventory Consumed	348 652	373 776
<i>Roads Infrastructure</i>	11 080 290	13 777 629
Contracted Services	10 703 416	13 457 697
Inventory Consumed	376 874	319 932
<i>Sanitation Infrastructure</i>	557 612	940 823
Contracted Services	524 677	919 971
Inventory Consumed	32 935	20 852
<i>Storm water Infrastructure</i>	108 300	134 988
Contracted Services	102 806	134 988
Inventory Consumed	5 494	-
<i>Water Supply Infrastructure</i>	2 788 566	2 442 108
Contracted Services	2 315 876	1 959 605
Inventory Consumed	472 690	482 503
Total: Repairs and Maintenance	29 994 051	30 293 061
39. BULK PURCHASES		
Electricity	175 996 113	162 515 487
Water	23 448 437	25 318 107
Total Bulk Purchases	199 444 550	187 833 594
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the West Coast District Municipality.		
40. CONTRACTED SERVICES		Restated
Cleaning Public Open Spaces	744 168	699 161
Cleaning Services-Offices	112 800	112 745
Highlands Refuse Dump: Recycling	168 000	168 000
Printing of Accounts	180 908	159 189
Waste Transfer Station	68 086	-
Refuse Removal: RCK	414 638	377 842
Sweeping of Streets	2 339 721	2 144 524
Repairs and Maintenance (see note 39)	28 262 286	29 063 528
Total: Contracted Services	32 290 607	32 724 989
41. GRANTS AND SUBSIDIES PAID		
<i>Non-profit institutions</i>		
SPCA	168 540	168 540
National Sea Rescue Institute	30 000	30 000
Yzerfontein Conservancy	65 000	65 000

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
41. GRANTS AND SUBSIDIES PAID (continued)		
<i>Museums</i>		
Malmesbury	45 320	45 320
Darling	45 320	45 320
Oude Kerk	45 320	45 320
Wheat Industry	45 320	45 320
<i>Tourism</i>		
Swartland and Coastal Area	682 602	696 960
<i>*Social Upliftment</i>		
Darling Focus	40 000	-
Huis van Heerde	25 000	25 000
Elkana Childcare	45 000	45 000
Multi Purpose Centre: Illinge Lethu	-	-
Multi Purpose Centre: Kalbaskraal	21 695	19 961
Multi Purpose Centre: Moorreesburg	-	40 000
Night Shelter	25 000	25 000
Old Age Homes	478 937	676 393
Jo Dolphin	-	20 000
ECD Centres	40 000	40 000
Total Grants and Subsidies	1 803 054	2 033 134

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality do not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the **SPCA**.

The National Sea Recue Institute (NSRI) is a non-profit organisation dedicated to the preservation of all persons at sea. Their members provide their services on a voluntary basis and the organisation is dependent on donations and sponsorship from the public. The NSRI operates a base from Yzerfontein providing a rescue service to the commercial and recreational fishing boats as well as bathers in the vicinity. Financial assistance by the Municipality is intended to enable the organisation to fund some of its operations as the Municipality cannot offer this essential service.

The **Yzerfontein Urban Conservancy** came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

Museums generally do not generate sufficient income from own resources, and are therefore dependant on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

Aware of the importance of the promotion of tourism in the area falling under the Municipality, the Council deems it their duty and privilege to assist financially towards the needs of the various **tourism bureau's** serving the area.

* The aim of **these organisations** entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

42. GENERAL EXPENSES	R	R
Included in general expenses is the following:-		Restated
Activity Recreation Nodes (Trees)	-	368 380
Administration Costs: Vehicles	100 977	87 353
Advertisements	933 904	990 043
Asset Management Register	213 942	212 695
Audit Committee Attendance	56 972	70 160
Audit Costs	2 034 696	2 065 455
Audit: Dumping Site	344 074	209 777
Bank costs	558 383	519 961
Bank costs Debit/Credit Cards	251 708	83 939
Bergriver Canoe Marathon: Donation	53 060	-
Blue Gum Trees	53 000	-
By-laws: Review	-	-
Capacity Building: Budgets	926 259	68 946
Cell phone Costs	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

42. GENERAL EXPENSES (continued)	2017 R	2016 R
Chemicals	1 442 136	1 062 091
Cleaning	94 994	91 435
Client Electronic Communication	56 066	-
Commission	1 282 996	1 410 759
Connection Fees	2 310 324	1 681 664
Connection Fees: Aqua Log Meters	545 600	-
Consumables	661 744	597 857
Delegations/Congresses	68 654	82 072
Disaster Management	189 399	-
Disposable Refuse Bags	252 965	380 385
Efficiency Development	1 364 589	1 254 887
EIA: Extension Balinka Street	-	-
Electricity: Eskom	991 940	893 059
Evaluation of Posts	-	-
Environmental Legislation	122 202	224 965
Environmental Monitoring	63 000	-
Excess Payment: Perk Scheme	117 472	100 276
External Affairs	-	-
Forex Loss	62 825	495 557
Fuel and Oil	6 364 049	5 825 169
Financial Statements	89 497	-
Housing Abbotsdale	-	-
Housing Phola Park	6 476 625	18 294 351
Operating Lease Expenditure	263 534	204 501
Hire: Equipment	261 200	233 046
Hire: Toilets (Grotto)	59 215	-
IDP	183 997	-
Implementation of Spluma/Lup	281 632	66 638
Insurance	1 284 390	1 135 895
Insurance: Excess payments	152 297	126 401
Internet Connectivity and Access	160 906	159 066
Interview Costs	65 959	-
Inventory: Tools and Equipment	125 758	144 238
LED Projects: Red Door	88 287	227 018
Legal Fees	587 344	628 063
Levy: Industrial Council	62 759	57 731
Licenses: Computer Systems	1 080 764	1 276 710
Licenses: Vehicles	505 178	492 849
Load Management	94 540	89 650
Magistrate Fees	-	-
Masterplanning: Services	544 801	693 266
Membership Fees: Council	1 654 751	1 672 453
Municipal Systems Improvement Grant	312 267	617 733
Newsletters	-	54 732
Occupational Rent: Chatsworth	363 790	381 565
Planning: Diepriver Bridge	-	1 000 000
Planning: Diepriver Bridge	-	247 938
Planning: Traffic Investigations	-	-
Paperwork: Integrated Waste Management Plan	-	398 071
Postage	952 921	895 092
Printing and Stationery	968 522	837 640
Private Work	-	61 403
Projects	374 311	330 698
Projects: Ward Committees	100 000	379 408
Protective Clothing	1 041 466	883 178
Protective Clothing: Contract Workers	95 887	116 887
Refreshments: Offices	179 295	159 553
Refuse Bins	-	50 261
Rent Offices : Pep Building	497 493	497 488
Rent Offices : Sanlam Building	231 771	233 896
Rent Offices : Santam Building	169 374	169 374
ROR	400 000	99 750
SDF Plans	120 000	-
Security Services	1 185 977	1 023 865

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
42. GENERAL EXPENSES (continued)		
Security Services: Chatsworth	-	-
Software	-	83 687
<i>Sundries</i>	-	-
The Building Resilience Handbook	-	2 412
Framing of Portrait	-	2 257
Annual Report Tool improvements	-	3 953
Installation cost: Outlet point - Quickshop	-	753
Lunch for 9 Employees at Windtown SA Ltd	-	2 368
Phola Park: Numbering of Houses	-	1 990
Calculation of Market Value Remuneration for Municipal Manager and Directors	-	11 173
Ratings Africa: Municipal Financial Sustainability Index	-	30 000
Support: Financial System	469 280	498 945
Support: Electronic Document Management	607 272	567 600
Support: Prepaid Electricity System	51 110	-
Survey Costs	487 018	284 528
Taxi: Transport Workers	149 400	138 050
Telecommunications	581 167	596 816
Testing Sewerage	372 282	367 797
Town Planning	251 799	521 044
Traffic Fines: Belstow	-	-
Traffic Fines: Syntell	358 534	1 251 405
Traffic Fines: TMT	1 011 729	-
Traffic Signs	86 212	68 959
Trade Union Representative	64 671	64 841
Training: Efficiency Development	1 415 352	1 088 892
Travel and Subsistence: Daily Allowance	-	-
Travel and Subsistence: Food and Beverages	-	-
Travel and Subsistence: Incidental	-	-
Travelling Costs	232 514	334 867
Travel and Subsistence: Own Transport	190 726	-
Valuations	-	1 426 184
Valuations - Insurance	-	86 970
Valuations - Supplementary	364 576	330 799
Youth Camp (Africa Union)	549 975	414 099
Water Analysis	-	104 930
Workman Compensation	872 967	-
Other	1 298 186	1 392 346
Other Grants		
Disaster Management	-	21 812
Financial Management Support Grant	256 533	92 540
Greenest Town	103 400	-
Implementation of SCOA	302 853	-
Planning: Municipal Flats	2 939 716	772 593
Inventory Consumed and Other Operational Costs (see note 39)	1 731 765	1 229 533

Total General Expenses**57 283 475****64 511 436**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and is not directly attributable to a specific service or class of expense.

43. CASH GENERATED BY OPERATIONS

		Restated
Surplus/(Deficit) for the year	73 220 220	57 379 978
<i>Adjustment for:</i>		
Depreciation and Amortisation	76 185 151	73 625 665
Impairment	242 222	542 683
Gain on disposal of property, plant and equipment	(1 036 291)	(419 152)
Loss on disposal of property, plant and equipment	10 955 292	4 271 106
Donated property, plant and equipment	(2 181 491)	(22 580)
Other non-cash items	(29 978 871)	(2 250 922)
Increase/(Decrease) in provisions	867 724	9 786 713
Increase/(decrease) in consumer deposits	737 102	662 092
Investment income	(27 079 466)	(20 215 070)
Interest paid	13 853 694	14 483 511
Operating surplus before working capital changes:	115 785 286	137 844 024

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
43. CASH GENERATED BY OPERATIONS (continued)		
(Increase)/decrease in inventories	948 342	(718 155)
(Increase)/decrease in exchange transactions	(3 223 766)	(4 124 118)
(Increase)/decrease in non- exchange transactions	8 166 315	4 467 105
(Decrease)/increase in unspent conditional grants and receipts	8 380 214	306 294
Increase/(Decrease) in net operating leases	(24 846)	48 698
Increase/(decrease) in Payables from Exchange transactions	(9 016 969)	2 435 540
Increase/(Decrease) in VAT	(3 323 268)	(1 187 735)
Cash generated by/(utilised in) operations	117 691 308	139 071 653

44. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The Municipality was engaged in exchange transactions of non- monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.

45. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount unused	1 000 000	1 000 000
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46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 16)	129 032 783	134 608 849
Used to finance property, plant and equipment - at cost	(129 032 783)	(134 608 849)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	4 954 336	5 576 066
Cash invested for repayment of long-term liabilities	4 954 336	5 576 066

Long- term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long- term liabilities can be made.

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**47. 1 Unauthorised expenditure**

Opening Balance	-	20 967 339
Unauthorised capital expenditure in the current year	23 209	-
Unauthorised operating expenditure in the current year	13 092 897	-
	13 116 106	20 967 339
Less: Approved/Condoned by Council	-	(20 967 339)
Unauthorised expenditure awaiting authorisation	13 116 106	-

47. 2 Fruitless and wasteful expenditure

	R	R
Opening Balance	-	2 003
Fruitless and wasteful operating expenditure in the current year	36 294	9 370
	36 294	11 373
Less: Approved/Condoned by Council	-	(9 370)
Less: Recovered	(32 629)	(2 003)
Fruitless and wasteful expenditure awaiting authorisation/to be recovered	3 665	-

The excess payable to the insurance company for the repair of vehicles should be regarded as fruitless and wasteful expenditure as the municipality received no value and suffered a loss. The drivers of the vehicles agreed to pay the excess and it was recovered accordingly.

An employee collected drivers license cards and subsequently lost all the cards. The amount will be recovered from the employee.

An overpayment was made to a supplier which was recovered with interest.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (continued)**

	2017 R	2016 R
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47. 2 Fruitless and wasteful expenditure (continued)

An amount was paid to a contractor for the cleaning of an erf. An account to recover the cost was sent to the owner of the property. The owner claimed that he himself had cleaned the erf and an Investigation is still pending.

The municipality was overcharged by SKW Valuers for the valuation of erven. The over charged amount plus interest was recovered from the valuers.

47. 3 Irregular expenditure

		Restated
Opening Balance	97 626	1 121 788
Irregular capital expenditure in the current year	-	6 740
Irregular operating expenditure in the current year	-	289 198
	97 626	1 417 726
Less: Approved/Condoned by Council	(36 653)	(1 320 100)
Irregular expenditure awaiting authorisation/to be recovered	60 973	97 626

An official resigned after admitting theft of material and assets. The case was reported to the SAPS Malmesbury Case 52/1/2016 for investigation. Swartland Municipality's Attorney issued a summons through the High Court, Cape Town, against the official and a notice to defend has been received back. Losses were recovered from the offender's Pension fund and salary. The missing assets were claimed from the insurers and paid. The insurance claim in respect of the outstanding amount is still pending.

48. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA**48. 1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions (Discount included)	1 690 529	1 877 002
Amount paid - current year	(1 789 190)	(1 733 570)
Amount paid - previous years	-	(143 432)
Amount received - previous years	98 661	-
Balance unpaid (included in creditors)	-	-

48. 2 Audit fees

Opening balance	-	-
Current year audit fee	2 319 554	2 354 619
Amount paid - current year	(2 319 554)	(2 354 619)
Amount written back - previous years	-	-
Balance unpaid (included in creditors)	-	-

48. 3 VAT

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

48. 4 PAYE, UIF and SDL

Opening balance	-	-
Current year payroll deductions	23 203 675	20 808 442
Amount paid - current year	(23 203 675)	(20 808 442)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

48. 5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	42 550 420	36 871 961
Amount paid - current year	(42 550 420)	(36 871 961)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**2017
R2016
R**48. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA (continued)****48. 6 Councillor's arrear consumer accounts**

During the financial year under review no Councillor was in arrear with the settlement of their municipal accounts.

48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed below have been condoned.

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of <i>Rod Warner Associates CC</i> for the training of new councillors and senior/middle management Item 7.5 of minutes of the Executive Mayoral committee held on 13 July 2016.	The municipality deviated from the prescribed Supply Chain Management (SCM) procedures with the appointment of Rod Warner Associates cc to present a training program called "Building Resilience: Strength for Life", developed for employees based on unique South African work environment and encourage behavioural adaptability to a difficult/ challenging work environment. The Municipal Manager in terms of the powers vested in him by the SCM Policy, approved the deviation on 20 June 2016 to appoint Rod Warner for the following reasons: (i) Mr Warner is a sole supplier of the service, and it is very difficult and impractical to compile specifications for the purpose to evaluate the program as it is based on unique working environment studies by the proposed service provider; (ii) the training has already been presented with great success in several provincial departments, as well as municipalities including Berg River Municipality and the City of Cape Town; and (iii) A discount on the normal fee per session which amounts to R 38 000.00 per session to be reduced to R 60 000.00 for the two two-day sessions.	R 52 614
Appointment of <i>CK Rumboll & Partners</i> to draft the amendment of the municipal spatial development framework Item 7.17 of minutes of the Executive Mayoral committee held on 13 July 2016.	The Swartland Municipality's Land Use Planning By-law prescribes procedures to be followed to amend the municipal spatial development framework in accordance with section 28(3) and 29 of the Municipal Systems Act. In terms of section 7.1(a) of our By-Law a draft status quo report, setting out an assessment of the existing levels of development and development challenges in the municipal area has been compiled. The next step was to appoint a service provider to draft the amendment of the municipal spatial development framework. The municipality deviated from the prescribed Supply Chain Management procedures by appointing CK Rumboll & Partners as they have many years of institutional knowledge regarding spatial development planning in Swartland and that it will be impractical to follow the prescribed procurement process to appoint another services provider.	R 350 000
Appointment of <i>Rapport</i> for advertising the post of the Chief Financial Officer Item 6.13 of minutes of the Executive Mayoral committee held on 24 August 2016.	The position of Chief Financial Officer became vacant on 31 March 2016. According to the Government Gazette no. 37245 published on 17 January 2014, a vacant Senior Manager's position had to be advertised in a newspaper circulating nationally as well as in the province where the municipality is located. The quotation obtained from Rapport amounted to R52 859.52. However, placement in this newspaper also has the advantage that the advertisement is published in two national newspapers at no extra costs. It will therefore appear in Afrikaans in Rapport as well as in English in City Press nationally. The prescribed procurement procedures were not followed as Rapport is the only newspaper that offers such a service whereby the advertisement is placed in two national newspapers.	R 46 368

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****48. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA (continued) (continued)****48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of <i>Tricom Africa</i> for the repair of a water pipe, Station Road, Moorreesburg Item 6.14 of minutes of the Executive Mayoral committee held on 24 August 2016.	A water pipe which supplies water to a large part of the industrial area in Moorreesburg as well as a portion of the Rosenhof residential area need urgent repairs after being repeatedly damaged by heavy duty vehicles. The pipe has only been repaired temporary, but must be permanently replaced by a specially manufactured steel pipe. The replacement of the pipeline has been treated as an emergency as the existing pipe is only temporary and can break at any time. This is a significant risk as it can result in an extended interruption in service to a large area of the town. In order to ensure continues service delivery TRICOM Africa was appointed without following the normal supply chain management process for the replacement of the pipe.	R 39 934
Appointment of <i>Lovell Freedman</i> for the design and installation of mosaic artwork at Abbotsdale Library Item 7.7 of minutes of the Executive Mayoral committee held on 12 October 2016.	A new library in Abbotsdale is currently under construction after funds have been received from the Department of Cultural Affairs and Sports. Since libraries a community service, it was decided to give ownership of the project to the community by involving local youth. They got hold of a mosaic artist who conducted several projects in the Western Cape. The project required that the artist should present 3 to 4 workshops at the local schools to teach children mosaic artwork with tiles. This art work will be included in the final design. A decision was taken to departure from the prescribed supply chain management procedures, because the project involves a unique/ special work of art for which specifications are difficult to compile.	R 77 930.00
Appointment of <i>Weigh-com Consultancy Pty Ltd</i> for the repair of the control unit on the weight bridge at Highlands Waste disposal site Item 7.16 of minutes of the Executive Mayoral committee held on 9 November 2016.	The weighbridge at the Highlands Landfill site has been operational for almost 14 years and was serviced / calibrated annually. An error was detected and after inspection by Weigh-Comm Consultancy (Pty) Ltd it was found that the meter reading unit has deteriorated and not functioning accurately. The prescribed procurement procedures were not followed with the appointment of Weigh-Comm Consultancy (Pty) Ltd as the repair of the unit was regarded as an emergency to avoid a prolonged interruption in statistics and to prevent incorrect billings due to inaccurate weight measurements.	R 41 876
Appointment of <i>GW Trautmann</i> for the repair of the aerator, Moorreesburg Sewage Works Item 7.17 of minutes of the Executive Mayoral committee held on 9 November 2016.	Due to an emergency, GW Trautmann was appointed to repair the aerator at the sewerage plant in Moorreesburg as the urgent repair was essential for the sewerage process and therefore an informal tender process could not be followed. Aerators are considered as critical equipment as the purification process is dependent on oxygen. Therefore the repair had to be carried out urgently to ensure that we comply with regulations for the handling and treatment of sewage.	R 34 874
Appointment of <i>Built It</i> for the supply of material to the victims for the repair of structures damaged by extreme wind and rain in Phola Park 1 & 2. Item 2.2 of minutes of the Executive Mayoral committee held on 28 June 2017.	Due to an emergency, the prescribed Supply Chain Management procedures were not followed with the appointment of Built It for the supply of material to the victims of the recent storm that damaged 38 informal structures. The urge to provide the material was to put the families back in a position to protect them against the weather after the storm hit the Swartland and Western Cape on 6 and 7 June 2017.	R 157 248
Appointment of <i>Rod Warner Associates Cc</i> for the training of staff Item 7.18 of minutes of the Executive Mayoral committee held on 9 November 2016.	The municipality deviated from the prescribed Supply Chain Management (SCM) procedures with the appointment of Rod Warner Associates cc to present further training with regards to the program "Building Resilience: Strength for Life", due to the following reasons: (i) Mr Warner is a sole supplier of the service, and it is very difficult and impractical to compile specifications for this training as it is based on unique working environment studies by the proposed service provider; and (ii) the training has already been presented with great success to the new councillors, directors and division heads.	R 52 614

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****48. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA (continued)****48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of <i>GW Trautmann</i> for the repair of pumps at Moorreesburg Sewage Works Item 7.7 of minutes of the Executive Mayoral committee held on 13 December 2016.	An informal tender process could not be followed with the appointment of GW Trautmann for the repair of three inlet pumps at the sewerage plant in Moorreesburg. The inlet works at the sewerage plant is equipped with three pumps to move raw sewage into the plant to be treated. The situation was considered as an emergency because all three pumps were out of order and there was a high risk that raw sewerage could flow in the nearby river. GW Trautmann was already on site repairing one of the pumps.	R 31 515
Appointment of <i>Primwood</i> for the repairs of playground equipment in Malmesbury, Darling, Abbotsdale, Riverlands, Chatsworth Item 7.8 of minutes of the Executive Mayoral committee held on 13 December 2016.	Playground equipment has been constructed as part of the 2014/15 ward projects and as a result of widespread vandalism these structures now need restoration. The play structures are made of recyclable plastic which cut costs as it does not require annual maintenance work. Primwood was appointed for the repair of equipment at playgrounds in various towns without following the prescribed procurement procedures for the undermentioned reasons: i) due to the unsafe play equipment it is treated as an emergency to prevent serious injuries and claims against the municipality; and (ii) the type of material (recyclable plastic) of which existing equipment is made can only be obtained from Primwood as they are the sole supplier of this particular product.	R 36 115
Appointment of <i>Tricom Africa</i> for repairing water pumps, Riverlands Pump station Item 7.23 of minutes of the Executive Mayoral committee held on 22 March 2017.	The municipality deviated from the prescribed Supply Chain Management (SCM) procedures with the repair of two pumps that supply drinking water from Riverlands pump station to the two reservoirs in Chatsworth. The situation was considered as an emergency as the reservoirs could run empty leaving the town without drinking water. Therefore Tricom Africa was appointed to repair the pumps.	R 67 211
Appointment of <i>Tricom Africa</i> for the purchase of an irrigation pump, Darling Sewage Works Item 7.24 of minutes of the Executive Mayoral committee held on 22 March 2017.	Purified sewerage water at Darling is utilised for the irrigation of sports grounds and the golf course. This pump was unrepairable damaged and had to be replaced. Due to the drought, it was found that the play surfaces deteriorated rapidly, causing considerable damage. Both these facilities are under tremendous pressure with weekly scheduled games and tournaments. Therefore the pump had to be purchased immediately from Tricom Africa.	R 32 335
Appointment of <i>Kgolo Institute</i> for the training towards a National Diploma in Public Administration Item 7.10 of minutes of the Executive Mayoral committee held on 16 May 2017	The Municipal Regulations on Minimum Competency Levels of 2007 prescribes that the core requirement for a Senior Manager of a municipality with an annual budget of R500 million or above should have a qualification of at least NQF Level 7 in a field relevant to the senior management position. The Director of Protection Services has a qualification on a NQF Level 6 and completed the Municipal Finance Management Programme (MFMP), but does not comply with the requirements as prescribed by National Treasury. Kgolo Institute is the only service provider who gives credit for all the modules of the MFMP with additional training of 21 modules to obtain the required qualification.	R 87 000
Appointment of GW Trautmann for the repairs of the macerator at the Malmesbury Waste Water Treatment Works. Item 7.20 of minutes of the Executive Mayoral committee held on 16 May 2017.	The Sewage Works at Malmesbury receive approximately 4.5 mega litres of sewage on a daily basis and the purification process begins at the inlet works. To avoid any unwanted solid waste entering into the purification plant, the raw sewerage passes through the macerator to remove all unwanted material such as sticks, bricks, etc. This is later removed by sieves. The situation was considered as an emergency and GW Trautmann has been appointed to repair the macerator to prevent any major damage to pumps and valves, which could have a financial implications for the municipality should it not be repaired timeous.	R 83 445
Appointment of Attorneys for services rendered during 2016/17. Item 6.3 of 18 January 2017, Item 7.5 of 12 April 2017 and Item 6.4 of 19 July 2017 of the minutes of the Executive Mayoral committee.	In paragraph 2 (6) of the Supply Chain Management Policy provision is made for exceptions from the supply chain processes regarding the procurement of certain services. These services include the appointment of attorneys. In these instances only 1 quote needs to be obtained.	R 583 759

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****48. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA (continued)****48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount
Appointment of Town Planners and Surveyors for services rendered during 2016/17. Item 6.3 of 18 January 2017, Item 7.5 of 12 April 2017 and Item 6.4 of 19 July 2017 of the minutes of the Executive Mayoral committee.	In paragraph 2(6) of the Supply Chain Management Policy provision is made for exceptions from the supply chain processes regarding the procurement of certain services. These services include the appointment of town planners and surveyors. In these instances only 1 quote needs to be obtained.	R 1 070 250
Appointment of service providers for the servicing and repairs of Vehicles and Equipment at the authorised manufacturing agents rendered during 2016/17. Item 6.3 of 18 January 2017, Item 7.5 of 12 April 2017 and Item 6.4 of 19 July 2017 of the minutes of the Executive Mayoral committee.	In paragraph 2(6) of the Supply Chain Management Policy provision is made for exceptions from the supply chain processes regarding the procurement of certain services. These services include the appointment of Service Providers for services and repairs of vehicles and equipment at the authorised agents. In these instances only 1 quote needs to be obtained.	R 2 162 152
General	Although the SCM processes were followed, three quotations could not be obtained for 586 cases to the value of R 4 448 929.	R 4 448 929.00

48. 8 Material losses: Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity distribution losses	2017	2016
Units purchased (kWh)	190 359 907	190 103 565
Units sold (kWh)	179 937 404	178 466 815
Units lost during distribution (kWh)	10 422 503	11 636 750
Percentage lost during distribution	5.48	6.12

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water distribution losses		
Kilolitres purchased	4 735 590	5 483 969
Kilolitres sold	4 082 325	4 425 940
Kilolitres lost during distribution	653 265	1 058 029
Percentage lost during distribution	13.79	19.29

Water Losses occur due to inter alia evaporation, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

49. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Other

	22 867 069	12 522 245
Infrastructure	21 070 469	6 209 579
Other	1 796 600	6 312 666

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 7 and 13.

Amounts are exclusive of VAT and the amount for infrastructure includes escalation cost.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		R 2017	R 2016
50. FINANCIAL INSTRUMENTS			
50.1 Classification			
Financial Assets			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
Long-term Receivables			
Loans to Public Organisations	Financial assets at amortised cost	-	Restated 179 336
Finance Lease Receivables			
Housing Selling Scheme Loans	Financial assets at amortised cost	6 263	10 263
Trade and other receivables from exchange transactions			
Electricity	Financial assets at amortised cost	31 748 572	31 039 409
Water	Financial assets at amortised cost	9 122 877	7 441 533
Sewerage	Financial assets at amortised cost	4 898 816	4 062 282
Refuse Removal	Financial assets at amortised cost	3 923 147	3 370 697
Housing Rentals	Financial assets at amortised cost	44 537	50 581
Other Debtors	Financial assets at amortised cost	1 937 384	2 487 065
Trade and other receivables from non-exchange transactions			
Rates	Financial assets at amortised cost	10 119 658	8 895 912
Insurance claims	Financial assets at amortised cost	50 665	112 091
Sundry debtors	Financial assets at amortised cost	6 187 036	15 755 150
Current Portion of Long-term Receivables			
Loans to Public Organisations		-	18 184
Current Portion of Finance Lease Receivables			
Housing Selling Scheme Loans	Financial assets at amortised cost	4 000	3 524
Bank Balances and Cash			
Bank Balances	Financial assets at amortised cost	348 874 519	299 118 808
Cash Floats and Advances	Financial assets at fair value	15 430	15 230
Total Financial Assets		416 932 904	372 560 065
Financial liabilities			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	124 078 447	129 032 783
Consumer Deposits			
Electricity and Water	Financial liabilities at fair value	10 113 788	9 376 686
Creditors			
Trade payables	Financial liabilities at amortised cost	44 990 333	49 023 451
Retentions	Financial liabilities at amortised cost	4 576 822	4 861 030
Staff leave	Financial liabilities at amortised cost	8 720 362	8 000 610
Other creditors	Financial liabilities at amortised cost	6 595 178	12 367 755
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	4 954 336	4 450 962
Capitalised Lease Liability	Financial liabilities at amortised cost	-	1 125 104
Total Financial Liabilities		204 029 266	218 238 381

Comparatives have been restated due to the correction of an error (refer to note 58).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****50. FINANCIAL INSTRUMENTS (continued)****50. 2 Fair Value of Financial Instruments**

Financial instruments at fair value are measured using valuation techniques based on observable inputs, i.e. as prices, or indirectly, i.e. derived from prices. (Level 2 of fair value hierarchy).

50. 3 Capital Risk Management

The municipality manages its capital to ensure that it will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged since 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2, 23 and 24 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

		Restated
Debt	129 032 783	134 608 849
Equity	1 967 480 052	1 894 058 788
Net debt to equity ratio	6.56 %	7.11 %

Debt is defined as Long- and Short-term Liabilities as detailed in Note 16.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

50. 4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits, implement controls and monitor adherence.

Due to the large non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

50. 5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date. The municipality has exposure to the following risks from its operations in Financial Instruments: Market risk, credit risk and liquidity risk. Risks and exposures are disclosed as follows:

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Maximum exposure to credit risk is not covered by collateral is specified. Financial instruments covered by collateral are specified. Each class of financial instrument is disclosed separately.

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.7 to the annual financial statements.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****50. FINANCIAL INSTRUMENTS (continued)****50. 6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

50. 7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

50. 8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional overdraft facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative **financial liabilities**. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2017

INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
INTEREST-BEARING		R	R	R	R	R	R
FIXED RATE							
Unsecured Bank Facilities		9 094 345	9 094 345	18 188 691	54 566 073	153 214 947	244 158 401
Development Bank	9.670 %	150 640	150 640	301 280	903 839	451 919	1 958 318
Development Bank	9.575 %	2 498 565	2 498 565	4 997 130	14 991 391	32 481 346	57 466 997
Development Bank	10.665 %	4 269 156	4 269 156	8 538 312	25 614 937	81 113 965	123 805 526
Sanlam	10.960 %	2 175 984	2 175 984	4 351 969	13 055 906	39 167 717	60 927 560
INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
VARIABLE RATE							
Unsecured Bank Facilities		34 533	33 060	62 114	56 631	-	186 338
Development Bank	10.508 %	34 533	33 060	62 114	56 631	-	186 338
Total Interest-bearing		9 128 878	9 127 405	18 250 805	54 622 704	153 214 947	244 344 739
NON-INTEREST-BEARING							
Current liabilities							
Consumer deposits		10 113 788	-	-	-	-	10 113 788
Trade Payables		66 157 212	-	-	-	-	66 157 212
Total Non-Interest-bearing		76 271 000	-	-	-	-	76 271 000
TOTAL UNDISCOUNTED CASH		85 399 878	9 127 405	18 250 805	54 622 704	153 214 947	320 615 739

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****50. FINANCIAL INSTRUMENTS (continued)****50. 8 Liquidity Risk Management (continued)****Liquidity and Interest Risk Tables (continued)****30 June 2016**

INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
		R	R	R	R	R	R
INTEREST-BEARING							
FIXED RATE							
Unsecured Bank		9 094 345	9 094 345	18 188 691	54 566 073	171 403 639	262 347 093
Development Bank	9.670 %	150 640	150 640	301 280	903 839	753 199	2 259 598
Development Bank	9.575 %	2 498 565	2 498 565	4 997 130	14 991 391	37 478 477	62 464 128
Development Bank	10.665 %	4 269 156	4 269 156	8 538 312	25 614 937	89 652 277	132 343 838
Sanlam	10.960 %	2 175 984	2 175 984	4 351 969	13 055 906	43 519 686	65 279 529
VARIABLE RATE							
Unsecured Bank							
Facilities		36 836	35 392	66 966	118 177	-	257 371
Development Bank	9.342 %	36 836	35 392	66 966	118 177		257 371
Total Interest-bearing		9 131 181	9 129 737	18 255 657	54 684 250	171 403 639	262 604 464
NON-INTEREST-BEARING							
Current liabilities							
Consumer deposits		9 376 686	-	-	-	-	9 376 686
Trade Payables		75 174 181	-	-	-	-	75 174 181
Capitalised Lease Liability		1 125 104	-	-	-	-	1 125 104
Total Non-Interest-bearing		85 675 971	-	-	-	-	85 675 971
TOTAL UNDISCOUNTED CASH		94 807 152	9 129 737	18 255 657	54 684 250	171 403 639	348 280 435

The municipality has access to financing facilities, the total unused amount which is R 1 000 000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved by means of the increasing in tariffs and the continuous utilisation of unsecured bank loan facilities.

50. 9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	R	R

50. FINANCIAL INSTRUMENTS (continued)**50. 9 Credit Risk Management (continued)**

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

		Restated
Long-term Receivables	-	197 520
Receivables from Exchange Transactions	55 754 318	51 982 240
Receivables from Non-Exchange Transactions	43 434 729	36 692 583
Finance lease receivables	10 263	13 787
Bank Guarantees	170 900	170 900
Bank and Cash Balances	348 889 949	299 134 038

Maximum Credit and Interest Risk Exposure

448 260 159	388 191 068
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The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

Trade and other receivables from exchange transactions

		Restated
Group 1	40 975 201	38 404 420
Group 2	483 474	385 949
Group 3	670 463	603 842

Total: Trade and other receivables from exchange transactions

42 129 138	39 394 211
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Long- Term Receivables

Group 1	-	197 520
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Total: Long- Term Receivables

-	197 520
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Finance lease receivables

Group 1	10 263	13 787
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Total finance lease receivables

10 263	13 787
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Trade and other receivables from non- exchange transactions

		Restated
Group 1	8 727 172	8 175 927
Group 2	39 470	44 954
Group 3	47 310	61 214

Total: Trade and other receivables from non- exchange transactions

8 813 952	8 282 095
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Bank balances

ABSA Bank limited	348 889 949	299 134 038
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Group 1 - High certainty of timely payment. Risk of non- payment is considered to be low as these receivables maintained a payment rate of more than 70 %.

Group 2 - Reasonable certainty of timely payment. The risk of non- payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year.

Group 3 - The risk factors of non- payment are larger as these receivables had a payment rate of below 50 % during the year.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Local Authority Retirement Fund, The Consolidated Retirement Fund for Local Government, The National Municipal and Related Services Employee Retirement Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The rate of contributions is provided below under each fund.

Each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality in respect of the defined contribution plans is to make the specified contributions.

LOCAL AUTHORITY RETIREMENT FUND

The Local Authority Retirement Fund operates as a defined contribution scheme.

The defined contribution scheme is a multi-employer plan and the contribution rate payable is 9.00 % by the members and 18.00 % by Council. The last valuations performed for the year ended 30 June 2016 (30 June 2015) had a overall funding level of 103.00 % (2015: 100.00 %) and is in a sound financial position. The next actuarial valuation will be as at 30 June 2017.

CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

The contribution rate paid by the members (9.00 % by employees, 7.50 % by section 57 employees and 12.00% by councillors) and by Council (18.00 % for employees, 19.50 % for section 57 employees and 15.00 % for councillors) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2016 (30 June 2015) revealed that the fund had a funding level of 100.50 % (100.00 %). Certified to be in a sound financial position as at 30 June 2016.

NATIONAL MUNICIPAL AND RELATED SERVICES EMPLOYEE RETIREMENT FUND

The contribution rate payable is 7.50 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2015 (30 June 2014) certified that the fund is in a sound financial state. The funding level was 100.42 % at valuating date (2014: 100.1 %).

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a Defined Contribution Fund and the contribution rate paid by the members is 9.00 % and 7.50% by section 57 employees and that of council 18.00 % and 19.50 % respectively. The latest statutory valuation was done on 30 June 2014. As at 30 June 2014 the valuator stated that the fund was financialy sound.

Employers do not have any liability for any fund's performances or deficits.

None of the above mentioned plans are state plans.

52. RELATED PARTY TRANSACTIONS

During the year the municipality rendered services to the following parties that are related to the municipality as indicated:

52.1 Services rendered to related parties

	Rates	Service Charges	Other	Outstanding Balances
30 June 2017				
Councillors	36 953	198 913	4 589	18 960
Municipal Manager and Section 57 Personnel	42 336	142 831	(3)	5 079
Total	79 289	341 744	4 586	24 039
30 June 2016				
Councillors	51 898	277 679	63	25 490
Municipal Manager and Section 57 Personnel	45 023	169 679	129	7 538
Total	96 921	447 358	192	33 028

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****52. RELATED PARTY TRANSACTIONS (continued)****52. 1 Services rendered to related parties (continued)**

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

No councillor was in arrears for more than 90 days.

52. 2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

52. 3 Compensation of key management personnel

The compensation of key management personnel is set out in note 34.

52. 4 Other related party transactions

The Municipality entered into business transactions during the financial year under review with the service provider mentioned below. The said providers are considered to be related parties as they are in some way or other connected to the Municipality, either as councillor or family tie to employees of the Municipality. These transactions were duly concluded in compliance with the provisions of the Supply Chain Management Policy of the Municipality.

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
Aurecon SA	2 891 244	HG Esterhuizen	West Coast District Municipality	Senior Manager - Roads	Parent
		T Botha	Oudtshoorn Municipality	Technical Manager	Parent
		CJ Barry	City of Cape Town	Department of Transport: Head: Finance	Parent
		E Herholdt	Limpopo Department of Economic Development Environment & Tourism	Investigation Services, Manager	Sibling
		R Reddy-Maduray	Development Bank Southern Africa	Project Preparation Specialist	Spouse
		D Mayekiso	Department of local Government and Traditional Affairs	Assistant Director	Uncle
		D Ntsebeza	Buffalo City Metropolitan Municipality	Sanitation Engineering Manager	Spouse
		NH Ntsebeza	Eastern Cape Department of Health	Nurse	Parent
		M Ntsebeza	Gauteng Department of Health: Springs Hospital	Doctor	Sibling
		N Ntsebeza	Intsika Yethu Municipality	Admin Clerk	Cousin
		J Jacobs	Department of Education - Eastern Cape	Personal Assistant to Chief Director	Spouse
		SM Grobbelaar	Northern Cape Department of Cooperative Governance	Town and Regional Planner	Parent
		F Salie	Sanral	Project Management Assistant	Sibling

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****52. RELATED PARTY TRANSACTIONS (continued)****52.4 Other related party transactions (continued)**

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
		BJ Kriegler	Cape Winelands District Municipality	Councillor	Parent
		PC Vermeulen	City of Cape Town	Building Maintenance	Parent
		M Marques	Department of Home Affairs	Deputy Director	Spouse
		ZC Venter	Department of Health - Eastern Cape	Deputy Director - Employment Relations	Spouse
		A Heyns	Stellenbosch Municipality	Assistant Superintendent - Workshop Engineering	Parent
		AN Van Taak	Stellenbosch Municipality	Director - Water and Sewerage	Parent
		JM Robertson	Ekurhuleni Metropolitan Municipality	Roads Engineer	Parent
		K Nadasen	National Department of Public Works	Director: Key Account Management	Wife
		SM O'Connell	Sol Plaatje Municipality	Librarian	Spouse
		T Govender	Umgenti Water	Fleet Maintenance Administrator - Asset Management	Child
		WZ Erasmus	Cape Nature	Program Manager	Spouse
		HC Ahlschlager	Special Investigating Unit	Legal Representative	Spouse
		JH Higgs	SARS	Regional Manager	Spouse
		A Hougaard	Department of Correctional Services	Principle Network Controller	Spouse
		B Kleynhans	Hessequa Municipality	Accountant	Parent
		AJ Moore	Department of Water Affairs	Chief Engineer	Parent
		PS Pretorius	Sol Plaatje Municipality	Chief Officer - Community Services	Parent
		JH Riekert	SA Reserve Bank	Engineering	Spouse
		S Seegers	City of Cape Town	Head of Security Architecture	Sister
		Dr M Skead	Nelson Mandela Bay Metropolitan	Senior Manager	Spouse
		R Tebane	Ekurhuleni Metropolitan Municipality	Executive Manager	Parent
		JTredoux	Department of Water Affairs	Deputy Director - Accounts Payable	Spouse
		M Van Rensburg	Eskom	Executive at Transmission Department	Father-in-law
		J Wilkins	Correctional Services	Vice Director - Provincial	Parent
		NS Wolmarans	IDC	Senior Accounts Manager	Spouse
A.M. Anthony	15 800	N Julius	Department of Education	Teacher	Daughter

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****52. RELATED PARTY TRANSACTIONS (continued)****52.4 Other related party transactions (continued)**

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
Bubble Household	184 092	Candice Pieters	City of Cape Town	Clerk	Child
Conlog	188 702	N Moodley	Provincial Health of KZN	Director of information	Wife
Conlog		NT Gaxeni	Eskom	Deductor Manager	Wife
Emileatha	10 595	R Krieling	Swartland Municipality	Meter Reader	Sister
Euraf Agencies	162 778	R Fourie	Department of Health	Assistant Director	Spouse
Golden Rewards / Futasia	172 845	Raynard de Jager	Western Cape Education Department	Teacher	Spouse
Golden Rewards 82CC	161 532	A De Bruyn	City of Cape Town	Civil Engineer	Son
K Smit T/A Blackbird Trading	240 020	Marlene Smit	Swartland Municipality	Database Administrator	Spouse
Lumber & Lawn	168 011	Jorina van Zyl	Western Cape Education Department	Teacher	Spouse
Mubeko Africa	481 070	J Niehaus	Department of Health - Northern Cape	Dietician	Spouse
Roja Construction	130 040	Julrich Liedeman	Swartland Municipality	General Worker	Child
Siphakame Skills	124 725	C Vacu	Drakenstein Municipality	General Worker	Spouse
WJ Cotter Elektries	421 177	T van Essen	Swartland Municipality	Mayor	Father-in-Law
Paper Lad Supplies	37 451	Marina Nutt	Western Cape Education Department	Teacher	Spouse
Petersen Tuindienste	28 950	Ricardo	Department of Correctional Services	Official	Wife
Ritter Gas Services &	8 978	Lynette Ritter	City of Cape Town	Buyer	Stepmother
Hydrometrix Technologies CC	32 180	Lauren Taylor	Department Education WC	Occupational Therapist	Daughter
Infinity Quest T/A	40 967	A Adonis	Department of Health	Tescue Tech	Fiancé
J.Lawrence	55 145	B Lawrence	Swartland Municipality	General Worker	Son
Standing Rock	19 000	Andrie Deon Gabriels	Stellenbosch Municipality	Foreman	Spouse
Swartland Hulp en Begrafnisdienste	1 300	R F vd Westhuizen	Swartland Municipality	Councillor	Father
Swartland Hulp en Begrafnisdienste		TJ vd Westhuizen	Drakenstein Municipality	Human Resources	Spouse
WAB Printmedia (Pty)	6 150	Adeline Brink	Drakenstein Municipality	Clerk	Spouse

53. CONTINGENT LIABILITY

	2017 R	2016 R
Guarantees in favour of Eskom	70 900	70 900
Guarantees in favour of South African Post Office Limited	100 000	100 000
	170 900	170 900

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees are covered to a large extent by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guarantee has been obtained from ABSA Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

The plaintiff, Mr MJ Philips instituted a claim in the Western Cape High Court on 25 May 2016 for compensation to be paid by Swartland Municipality, for alleged injuries suffered at Abbotsdale rugby field in the amount of R451 221.14. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Combined summons issued by plaintiff on 18 May 2016. Pleas in process of being prepared as at 10 June 2016. Awaiting date for hearing to be set by Claremont's attorneys as at 30 June 2017.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****53. CONTINGENT LIABILITY (continued)**

The plaintiff, Ms Samantha Demoreen Daniels instituted a claim in the High Court on behalf of her minor child for payment by Swartland Municipality of an amount of R5 000 000 (five million rand) plus interest thereon for loss of maintenance and support as a result of the death of Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter pending. At 30 June 2016 not clear whether claimant is still going ahead with claim. No movement in this matter since January 2015 after filing of a special plea.

The plaintiff, Ms Leah Elizabeth Kay instituted a claim in the High Court for payment by Swartland Municipality of an amount of R2 200 000 (Two million two hundred thousand rand) plus interest thereon for loss of maintenance and support as a result of the death of her son, Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter still pending. No movement in this matter since January 2015 after filing of a special plea.

The plaintiff, Ads World Pty Ltd (SA Government Contracts) instituted a claim for payment by Swartland Municipality for advertisement fees of R 39 950. A final demand letter for payment of the amount was received on 26 June 2017, following the signing of a registration form by the then acting Municipal Manager in January 2016. Claim disputed based on misrepresentation.

54. CONTINGENT ASSET

To the best of knowledge the Municipality was not engaged in any transaction or event during the year under review involving a contingent asset.

55. IN-KIND DONATION AND ASSISTANCE

The Municipality did not receive any in-kind donation and assistance during the year under review.

56. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY**(a) i) Correction of error - Previous period transactions**

**Total of
correction 2016**

A number of errors in prior period transactions were discovered and corrected in the current financial period. These errors include incorrect property rate charges, faulty meter readings and levies in respect of service charges. These corrections have been applied retrospectively and the effects thereof are as follows:

Decrease / (increase) in Revenue from Non-exchange transactions

145 620

Property rates

145 620

Decrease / (increase) in Revenue from Exchange transactions

147 190

Service charges

Electricity

58 983

Water

165 294

Sewerage

722

Refuse

4 449

Interest earned - outstanding debtors

Rates

41 058

Electricity

388

Water

68

Sewerage

62

Refuse

16

Other Debtors

1 957

Rent of facilities and equipment

Buildings

426

Riverroad Buildings

12

Sites Darling

(124)

Staff

(251)

Other Facilities

Sportground

(10)

Other income

Blocked Sewerage

2 241

Bulk Waste Dumping

(65 656)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) i) Correction of error - Previous period transactions (continued)****Total of
correction 2016**

Commenge	(360)
Cell C	(400)
Industrial Sewerage	(56 257)
Lost and Damaged Books	136
New Connections: Electricity	(3 158)
Rates Lessees	(30)
Sewerage Pumping	(1 876)
Tampering Fees	(500)

Increase/(Decrease) in deficit for the year ended 30 June 2016**292 810****Increase/(decrease) in Receivables From Exchange transactions****(106 132)****Service debtors**

Electricity	(59 371)
Water	(165 362)
Sewerage	(784)
Refuse removal	(4 465)

Other**123 850****Increase/(decrease) in Receivables From Non-Exchange transactions****(186 678)****Property rates****(186 678)****(a) ii) Correction of error - legal cost**

Prior to 2015/2016 payments were made for legal costs to Council's attorneys for claims instituted against the municipality. These legal costs were recovered by the attorneys and subsequently reimbursed to Council. The effects of retrospective correction are as follows:

(Increase)/Decrease/ in Accumulated surplus 30 June 2015 (2015/16 opening balance) **(10 872)****Increase/(decrease) in Receivables from Exchange transactions 30 June 2015 (2015/16 opening balance)** **10 872****Increase/(decrease) in Receivables from Exchange transactions****10 872****Other debtors****10 872****(a) iii) Correction of error - connection fees and building deposits**

Prior to 2015/2016 payments were made to the municipality, which were subsequently reimbursed to consumers. The effects of retrospective correction are as follows:

(Increase)/Decrease/ in Accumulated surplus 30 June 2015 (2015/16 opening balance) **5 621****(Increase)/decrease in Payables from Exchange transactions 30 June 2015 (2015/16 opening balance)** **(5 621)****(Increase)/decrease in Payables from Exchange transactions****(5 621)****Trade Creditors****(5 621)****(a) iv) Correction of error - workman's compensation**

Amounts claimed from the Workmen's Compensation Commissioner prior to 2015/2016, which effectively decreases employee expenses, were received during the current financial period. The expenditure and debtor amounts were adjusted to reflect correct amounts in the comparative year. Correction of this error has been applied retrospectively and the effects thereof are as follows:

(Increase)/Decrease/ in Accumulated surplus 30 June 2015 (2015/16 opening balance) **(87 663)****Increase/(decrease) in Receivables from Exchange transactions 30 June 2015 (2015/16 opening balance)** **87 663****Increase/(decrease) in Receivables from Exchange transactions****87 663****Other debtors****87 663**

SWARTLAND MUNICIPALITYNOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) v) Correction of error - Payments reimbursed to the municipality**

During 2015/2016 payments were made, which were recovered and subsequently reimbursed to Council. The effects of retrospective correction are as follows:

Increase/(decrease) in General Expenses	(424 969)
Disaster Management	(326 940)
Occupational Rent: Chatsworth	(72 540)
Valuation fees	(25 489)
Increase/(decrease) in Employee Related Cost	(97 462)
Pension Fund	(97 462)
(Increase)/decrease in surplus for the year ended 30 June 2016	(522 431)
Increase/(decrease) in Receivables from Exchange transactions	522 431
Other debtors	522 431

**Total of
correction 2016**

(a) vi) Correction of error - Traffic Fines

Traffic Fines in the Amount of R 500 was incorrectly accounted for in the previous year. The effect of the correction are as follows:

(Increase)/decrease in Revenue from Non - Exchange transactions	500
Fines	500
(Increase)/decrease in surplus for the year ended 30 June 2016	500
Increase/(decrease) in Receivables from Non - Exchange transactions	(500)
Traffic Fines	(500)

(a) vii) Correction of error - Water Services

Water services revenue charged in the previous year in the amount of R 3239 was paid back to the consumer. The effect of the correction is as follows:

(Increase)/decrease in Revenue from Exchange transactions	3 239
Water	3 239
(Increase)/decrease in surplus for the year ended 30 June 2016	3 239
Increase/(decrease) in Receivables from Exchange transactions	(3 239)
Water	(3 239)

(a) viii) Correction of error - General Expenses

During the current financial year invoices were received for services rendered in the prior financial period. The payments were made in the current financial period and erroneously accounted for as a current period transaction, for which a payable was not raised as at the end of the prior period. This error has being corrected retrospectively and the effects thereof are as follows:

Increase/(Decrease) in General Expenses	13 662
Traveling Cost	482
Printing and Stationery (ITC)	13 180
(Increase)/Decrease in Surplus for the year ended 30 June 2016	13 662
(Increase)/Decrease in Payables from exchange transactions	(13 662)
Trade Creditors	(13 662)

SWARTLAND MUNICIPALITYNOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) ix) Correction of error - Items erroneously capitalised**

During the current financial period, it was discovered that certain payments for items were incorrectly capitalised during 2014/15. This error has been corrected retrospectively and the effects thereof are as follows:

	Total of correction 2016
(Increase)/Decrease/ in Accumulated surplus 30 June 2015 (2015/16 opening balance)	1 136 277
Increase/(decrease) in Property, plant and equipment 30 June 2015 (2015/16 opening balance)	(1 136 277)
Increase/(decrease) in Property, plant and equipment	(1 136 277)

(a) x) Correction of error - Assets not previously recognised

During the current financial period, a number of assets were discovered which were not previously recognised and which did not appear on the asset register. This error has been corrected retrospectively and the effects thereof are as follows:

(Increase)/Decrease in Accumulated surplus 30 June 2015 (2015/16 opening balance)	(1 438 493)
Increase/(decrease) in Property, plant and equipment 30 June 2015 (2015/16 opening balance)	1 438 493
Increase/(Decrease) in Depreciation and Amortisation	407 490
(Increase)/Decrease in Surplus for the year ended 30 June 2016	(407 490)
Increase/(decrease) in Property, plant and equipment	1 031 003
Cost	1 438 493
Accumulated depreciation	(407 490)

(a) xi) Correction of error - Repairs and Maintenance

Certain expenditure were reclassified during 2015/2016 financial year. This error has been corrected retrospectively and the effects thereof are as follows:

Increase/(decrease) in General Expenses	30 293 061
Contracted Services	29 063 528
Inventory Consumed	1 215 067
Other Operational Costs	14 466
Increase/(decrease) in Repairs and Maintenance	(30 293 061)
(Increase)/decrease in surplus for the year ended 30 June 2016	-

(b) i) Adjustment of revenue and surplus for the year

	Previously reported	Amount of adjustment	Restated
REVENUE			
Revenue from Non-exchange Transactions	251 988 614	(146 120)	251 842 494
Taxation Revenue	79 973 021	(145 620)	79 827 401
Property rates	79 973 021	(145 620)	79 827 401
Transfer Revenue	150 896 263	-	150 896 263
Government grants and subsidies: Operating	39 854 374	-	39 854 374
Government grants and subsidies: Capital	56 766 869	-	56 766 869
Unconditional Government grants	51 772 000	-	51 772 000
Public Contributions and Donations	1 500 000	-	1 500 000
Other Contributions	980 440	-	980 440
Donated Property, Plant and Equipment	22 580	-	22 580
Other Revenue from non-exchange transactions	21 119 330	(500)	21 118 830
Fines	17 351 387	(500)	17 350 887
Licences and permits	3 767 943	-	3 767 943
Other	-	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(b) i) Adjustment of revenue and surplus for the year (continued)****REVENUE (continued)****Revenue from Exchange Transactions****Operating Activities***Service charges**Rental of facilities and equipment**Interest earned - external investments**Interest earned - outstanding debtors**Income for agency services**Gains on disposal of property, plant and equipment**Other revenue from exchange transactions***Sale of Land Inventories***Revenue on sale of land**Cost of land sold***Total Revenue****EXPENDITURE***Employee related costs**Remuneration of Councillors**Debt impairment**Depreciation and Amortisation**Asset impairment**Repairs and maintenance**Finance costs**Bulk purchases**Contracted services**Grants and subsidies paid**General expenses**Loss on disposal of property, plant and equipment***Total Expenditure****SURPLUS/(DEFICIT) FOR THE YEAR****(b) (ii) Adjustment of opening balances****NET ASSETS****Accumulated Surplus 1 July 2015***Correction of error - Legal Fees**Correction of error - Connection Fees and Building deposit**Correction of error - Workmen's Compensation**Correction of error - Assets not previously recognised**Correction of error - Payments incorrectly capitalised***(b) (ii) Adjustment of opening balances (Continued)****ASSETS AND LIABILITIES****Property, plant and equipment 1 July 2015****Receivables from Exchange transactions 1 July 2015****Payables from Exchange transactions 1 July 2015****Total effect of adjustments to opening balances 1 July 2015**

	360 876 007	(150 429)	360 725 578
	356 401 203	(150 429)	356 250 774
	305 357 952	(232 687)	305 125 265
	3 646 065	(53)	3 646 012
	20 215 070	-	20 215 070
	1 748 686	(43 549)	1 705 137
	3 556 467	-	3 556 467
	419 152	-	419 152
	21 457 811	125 860	21 583 671
	4 474 804	-	4 474 804
	4 982 520	-	4 982 520
	507 716	-	507 716
	612 864 621	(296 549)	612 568 072
	156 127 394	(97 462)	156 029 932
	8 643 929	-	8 643 929
	10 488 115	-	10 488 115
	73 218 175	407 490	73 625 665
	542 683	-	542 683
	30 293 061	(30 293 061)	-
	14 483 511	-	14 483 511
	187 833 594	-	187 833 594
	3 661 461	29 063 528	32 724 989
	2 033 134	-	2 033 134
	63 693 210	818 226	64 511 436
	4 271 106	-	4 271 106
	555 289 373	(101 279)	555 188 094
	57 575 248	(195 270)	57 379 978

1 736 262 570	395 130	1 736 657 700
	10 872	
	(5 621)	
	87 663	
	1 438 493	
	(1 136 277)	

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SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)

(b) (iii) Adjustment against surplus for the year ended 30 June 2016	57 575 248	(195 270)	57 379 978
Total effect of adjustments against accumulated surplus as at 30 June 2016 (ii) and (iii)	1 753 152 365	199 860	1 753 352 225

Receivables From Exchange Transactions	51 470 645	511 595	51 982 240
<i>Service debtors</i>			
Electricity		(59 371)	
Water		(168 601)	
Sewerage		(784)	
Refuse removal		(4 465)	
<i>Other</i>		744 816	

(b) (iii) Adjustment against surplus for the year ended 30 June 2016 (continued)

Receivables From Non-Exchange Transactions	26 341 182	(187 178)	26 154 004
<i>Property Rates</i>		(186 678)	
<i>Traffic fines</i>		(500)	

Payables From Exchange Transactions	75 154 898	19 283	75 174 181
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Property, Plant and equipment	1 772 525 503	(105 274)	1 772 420 229
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RECONCILIATION OF ADJUSTMENTS DUE TO PRIOR PERIOD ERRORS:

	Previously reported	Amount of adjustment	Restated
ASSETS	385 450 673	324 417	385 775 090
Current assets			
Cash and Cash Equivalents	299 134 038	-	299 134 038
Receivables from Exchange Transactions	47 939 972	511 595	48 451 567
Receivables from Non-Exchange Transactions	26 341 182	(187 178)	26 154 004
Inventory	9 513 126	-	9 513 126
VAT Receivable	2 458 744	-	2 458 744
Operating lease receivable	41 903	-	41 903
Current Portion of Long-term Receivables	18 184	-	18 184
Current Portion of Finance Lease Receivables	3 524	-	3 524
	1 805 136 011	(105 274)	1 805 030 737
Non-current assets			
Property, plant and equipment	1 772 525 503	(105 274)	1 772 420 229
Investment property	29 170 620	-	29 170 620
Heritage Assets	2 480 389	-	2 480 389
Intangible Assets	769 900	-	769 900
Long-term receivables	179 336	-	179 336
Finance lease receivables	10 263	-	10 263
Total Assets	2 190 586 684	219 143	2 190 805 827
LIABILITIES			
Current liabilities	102 999 430	19 283	103 018 713
Payables from exchange transactions	75 154 898	19 283	75 174 181
Consumer deposits	9 376 686	-	9 376 686
Current portion of Employee benefit liabilities	3 084 051	-	3 084 051
Current Portion of long-term borrowings	4 450 962	-	4 450 962
Unspent conditional grants and receipts	6 033 773	-	6 033 773
Provisions	3 605 627	-	3 605 627
Current portion of Finance lease liabilities	1 125 104	-	1 125 104
Operating lease liability	168 329	-	168 329
	193 517 019	-	193 517 019
Non-current liabilities			
Long-term borrowings	129 032 783	-	129 032 783
Finance lease liabilities	-	-	-
Employee benefit liabilities	64 484 236	-	64 484 236
Total Liabilities	296 516 449	19 283	296 535 732
NET ASSETS			
Total Net Assets	1 894 070 235	199 860	1 894 270 095
Statutory Funds	211 307	-	211 307
Reserves	140 706 563	-	140 706 563
Accumulated Surplus	1 753 152 365	199 860	1 753 352 225
Total Net Assets and Liabilities	2 190 586 684	219 143	2 190 805 827

APPENDIX A**SWARTLAND MUNICIPALITY**
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2016	Received/ Transferred during the period	Interest capitalised during the period	Redeemed written off during the period	Balance 30/06/2017
EXTERNAL LOANS								
LONG- TERM LOANS								
Development Bank	10.433%	1383	30/06/2020	209 996	-	-	52 499	157 497
Development Bank	9.570%	773	29/12/2028	35 966 936	-	-	1 590 151	34 376 785
Development Bank	9.670%	772	29/12/2023	1 580 928	-	-	151 972	1 428 956
Development Bank	10.665%	6851	31/12/2031	64 041 739	-	-	1 753 185	62 288 554
Sanlam	10.960%	6852	30/06/2031	31 684 146	-	-	903 155	30 780 991
Total Long- Term Loans				133 483 745	-	-	4 450 962	129 032 783
LEASES								
Sunlyne Rentals				-	-	-	-	-
Microsoft				1 066 748	-	-	1 066 748	-
Sasfin				58 356	-	-	58 356	-
Total leases				1 125 104	-	-	1 125 104	-
TOTAL EXTERNAL LOANS				134 608 849	-	-	5 576 066	129 032 783

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Land and Buildings													
Land	61 536 465	(599 669)	7 491 498	-	83 351	68 344 943	21 080	-	-	-	-	21 080	68 323 863
Buildings	309 586 068	306 208	12 192 863	283 582	-	322 368 721	223 617 284	-	4 723 536	-	-	228 340 820	94 027 901
	371 122 533	(293 461)	19 684 361	283 582	83 351	390 713 664	223 638 364	-	4 723 536	-	-	228 361 900	162 351 764
Infrastructure													
Roads	1 108 960 471	(194 665)	21 224 782	-	25 324 629	1 104 665 959	544 145 938	-	26 493 453	49 949	15 855 356	554 833 984	549 831 975
Sewerage Mains and Purification	675 349 393	27 055	4 264 607	1 769 884	-	681 410 939	275 469 645	-	16 103 270	-	-	291 572 915	389 838 024
Electricity Mains	565 423 840	-	10 957 077	-	6 297 735	570 083 182	248 106 764	-	11 768 363	-	6 112 443	253 762 684	316 320 498
Water Mains and Purification	60 751 854	194 665	78 250	6 407 866	-	67 432 635	38 225 424	-	1 335 352	-	-	39 560 776	27 871 859
Reservoirs - Water	91 176 436	-	-	-	-	91 176 436	52 063 141	-	1 350 844	-	-	53 413 985	37 762 451
Water Meters	137 800	-	-	-	-	137 800	27 565	-	9 180	-	-	36 745	101 055
Water Mains	505 223 614	-	718 302	-	549 467	505 392 449	287 839 604	-	6 984 486	-	392 339	294 431 751	210 960 698
Landfill Sites	8 694 524	-	-	-	-	8 694 524	4 520 777	-	324 891	-	-	4 845 668	3 848 856
Cleaning	1 375 734	-	-	-	10 568	1 365 166	812 701	-	63 931	-	10 560	866 072	499 094
	3 017 093 666	27 055	37 243 018	8 177 750	32 182 399	3 030 359 090	1 451 211 559	-	64 433 770	49 949	22 370 698	1 493 324 580	1 537 034 510
Community Assets													
Parks and Gardens	5 321 061	-	-	4 295 080	-	9 616 141	2 420 744	-	204 065	-	-	2 624 809	6 991 332
Recreation Grounds	35 171 819	(333 263)	2 119 537	2 136 439	400 000	38 694 532	23 995 503	-	682 686	-	400 000	24 278 189	14 416 343
Cemeteries	5 423 013	-	436 176	-	-	5 859 189	3 605 855	-	165 845	-	-	3 771 700	2 087 489
	45 915 893	(333 263)	2 555 713	6 431 519	400 000	54 169 862	30 022 102	-	1 052 596	-	400 000	30 674 698	23 495 164
Movable Assets													
Office Equipment	3 811 174	382 407	239 824	-	71 584	4 361 821	2 650 313	287 416	283 972	887	46 640	3 175 948	1 185 873
Equipment	17 877 724	-	3 484 922	-	542 245	20 820 401	9 984 819	-	1 312 965	39 444	351 134	10 986 094	9 834 307
Furniture	2 550 927	-	112 336	-	19 522	2 643 741	1 388 591	-	297 405	52	11 528	1 674 520	969 221
Fittings	408 211	-	-	-	-	408 211	310 629	-	6 617	-	-	317 246	90 965
Bins and Containers	192 878	-	29 448	-	-	222 326	35 456	-	9 031	-	-	44 487	177 839
Security Equipment	918 468	-	254 426	-	149 618	1 023 276	543 316	-	137 668	-	31 951	649 033	374 243
Emergency Equipment	153 179	-	54 720	-	390	207 509	50 977	-	42 633	-	288	93 322	114 187
Motor Vehicles	32 276 703	-	2 720 102	-	1 688 701	33 308 104	11 321 233	-	1 709 553	151 890	1 051 265	12 131 411	21 176 693
Specialized Vehicles	11 154 905	-	-	-	-	11 154 905	3 333 052	-	519 275	-	-	3 852 327	7 302 578
Computer Equipment	9 421 311	-	1 193 274	-	521 598	10 092 987	6 081 923	-	973 746	-	492 751	6 562 918	3 530 069
	78 765 480	382 407	8 089 052	-	2 993 658	84 243 281	35 700 309	287 416	5 292 865	192 273	1 985 557	39 487 306	44 755 975
Leased Assets													
Office Equipment	382 407	(382 407)	-	-	-	-	287 416	(287 416)	-	-	-	-	-
	382 407	(382 407)	-	-	-	-	287 416	(287 416)	-	-	-	-	-
Total: Property, Plant and Equipment	3 513 279 979	(599 669)	67 572 144	14 892 851	35 659 408	3 559 485 897	1 740 859 750	-	75 502 767	242 222	24 756 255	1 791 848 484	1 767 637 413

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF INVESTMENT PROPERTY, INTANGIBLE AND HERITAGE ASSETS AS AT 30 JUNE 2016**

	Cost/Revaluation						Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	Carrying Value
Investment Properties	32 933 624	(272 667)	26 517 805	-	298 000	58 880 762	3 763 004	-	24 723	-	245 861	3 541 866	55 338 896
Intangible Assets	5 087 968	-	-	-	-	5 087 968	2 607 579	-	657 661	-	-	3 265 240	1 822 728
Heritage Assets	769 900	-	-	-	-	769 900	-	-	-	-	-	-	769 900
Total	38 791 492	(272 667)	26 517 805	-	298 000	64 738 630	6 370 583	-	682 384	-	245 861	6 807 106	57 931 524
Grand Total	3 552 071 471	(872 336)	94 089 949	14 892 851	35 957 408	3 624 224 527	1 747 230 333	-	76 185 151	242 222	25 002 116	1 798 655 590	1 825 568 937

APPENDIX C

SWARTLAND MUNICIPALITY
SEGMENTAL ANALYSIS OF ASSETS AT 30 JUNE 2017

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Occupational Health and Safety	86 025	-	-	-	-	86 025	25 606	-	7 938	-	-	33 544	52 481
Administration Civil	434 885	-	622 016	-	13 862	1 043 039	207 024	-	70 068	-	13 194	263 898	779 141
Administration Development Services	1 234 525	-	8 846	-	16 532	1 226 839	519 809	-	39 924	-	15 582	544 151	682 688
Administration Corporate Services	5 064 863	-	4 097 978	-	102 708	9 060 133	2 721 736	-	59 885	53	89 169	2 692 505	6 367 628
Administration Financial Services	8 127 241	-	54 410	-	380 593	7 801 058	5 908 769	-	435 927	12 753	342 651	6 014 798	1 786 260
Administration Municipal Manager	48 728	-	16 457	-	-	65 185	23 775	-	6 667	-	-	30 442	34 743
Administration Protection Services	9 405	-	-	-	-	9 405	4 003	-	2 097	-	-	6 100	3 305
Building Control	80 792	-	-	-	-	80 792	28 339	-	13 493	-	-	41 832	38 960
Caravan Park - Yzerfontein	271 791	-	29 024	-	3 845	296 970	126 613	-	21 444	-	3 334	144 723	152 247
Cemeteries	6 151 611	-	436 176	-	-	6 587 787	4 144 075	-	180 488	-	-	4 324 563	2 263 224
Community Development	42 443	-	6 053	497 452	8 314	537 634	24 139	-	5 213	-	7 385	21 967	515 667
Council	486 275	-	3 633	-	-	489 908	99 067	-	50 509	-	-	149 576	340 332
Planning and Valuation	76 584	-	-	-	-	76 584	35 404	-	12 727	-	-	48 131	28 453
Electricity Distribution	570 840 957	-	11 420 362	-	6 307 968	575 953 351	252 308 029	-	12 515 751	38 017	6 121 712	258 740 085	317 213 266
Fire Fighting	2 190 926	-	-	-	4 487	2 186 439	1 088 940	-	111 473	-	4 083	1 196 330	990 109
Housing	29 381 290	-	-	1 020 240	16 556	30 384 974	1 933 676	-	660 057	-	15 599	2 578 134	27 806 840
Human Resources	46 309	-	8 735	-	1 300	53 744	27 007	-	5 866	-	1 290	31 583	22 161
Internal Audit	8 175	-	16 233	-	-	24 408	1 004	-	2 365	-	-	3 369	21 039
IT Services	7 164 043	-	1 092 844	-	26 470	8 230 417	3 121 681	-	1 187 136	-	21 377	4 287 440	3 942 977
Libraries	5 964 028	-	3 039 690	-	21 976	8 981 742	1 024 109	-	478 220	886	17 361	1 485 854	7 495 888
Licencing and Traffic Services	2 997 694	-	49 731	-	296 264	2 751 161	2 043 158	-	90 069	21 299	222 501	1 932 025	819 136
Multi- Purpose Centre	45 815	-	-	-	1 788	44 027	13 411	-	9 499	-	624	22 286	21 741
Municipal Property	362 167 703	(566 128)	30 804 340	1 200 634	627 288	392 979 261	209 617 488	-	3 700 374	42 424	398 248	212 962 038	180 017 223
Parks and Recreational Areas	11 106 203	(333 263)	382 260	3 996 775	203 775	14 948 200	4 909 251	-	506 689	8 344	125 968	5 298 316	9 649 884
Policing and Law Enforcement	2 413 476	-	500 288	-	152 788	2 760 976	695 115	-	363 761	-	34 765	1 024 111	1 736 865
Refuse Removal	39 012 977	-	1 951 133	-	861 878	40 102 232	16 392 332	-	1 428 585	51 428	523 253	17 349 092	22 753 140
Sewerage	679 163 273	27 055	5 885 673	1 769 884	6 432	686 839 453	278 634 122	-	16 440 066	17 069	5 665	295 085 592	391 753 861
Sportgrounds	54 077 506	-	9 859 104	-	400 000	63 536 610	33 818 060	-	1 156 863	-	400 000	34 574 923	28 961 687
Supply Chain Management	8 871	-	16 692	-	-	25 563	2 183	-	4 191	-	-	6 374	19 189
Streets and Stormwater	1 107 682 000	(194 665)	21 801 400	-	25 383 909	1 103 904 826	548 138 266	-	26 791 747	49 949	15 894 171	559 085 791	544 819 035
Swimming Pools	19 223	-	-	-	-	19 223	13 853	-	897	-	-	14 750	4 473
Tourism	15 036	-	-	-	-	15 036	6 908	-	2 935	-	-	9 843	5 193
Town and Community Halls	273 432	-	20 409	-	23 692	270 149	79 657	-	41 125	-	6 930	113 852	156 297
Water Services	655 377 366	194 665	1 966 462	6 407 866	1 094 983	662 851 376	379 493 724	-	9 781 102	-	737 254	388 537 572	274 313 804
TOTAL	3 552 071 471	(872 336)	94 089 949	14 892 851	35 957 408	3 624 224 527	1 747 230 333	-	76 185 151	242 222	25 002 116	1 798 655 590	1 825 568 937

APPENDIX D**SWARTLAND MUNICIPALITY****SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016	2016	2016		2017	2017	2017
Restated	Restated	Restated		Actual	Actual	Surplus/
Actual	Actual	Surplus/		Income	Expenditure	(Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
762 162	24 734 637	(23 972 475)	Executive and Council	558 118	24 440 196	(23 882 078)
123 048 809	56 812 467	66 236 342	Finance and Administration	177 601 403	65 212 491	112 388 912
4 320 440	12 139 601	(7 819 161)	Planning and Development	3 525 546	11 902 452	(8 376 906)
9 547 155	15 708 100	(6 160 945)	Community and Social Services	10 806 601	16 013 396	(5 206 795)
46 114 438	21 096 899	25 017 539	Housing	10 620 943	11 607 645	(986 702)
17 674 751	30 252 324	(12 577 573)	Public Safety	23 663 695	52 078 303	(28 414 608)
5 515 847	16 512 914	(10 997 067)	Sport and Recreation	15 670 491	17 100 696	(1 430 205)
-	-	-	Environmental Protection	-	-	-
49 121 838	40 281 027	8 840 811	Waste Water Management	52 468 951	43 904 548	8 564 403
31 860 975	26 484 114	5 376 861	Waste Management	34 896 771	27 214 096	7 682 675
31 810 191	63 921 748	(32 111 557)	Road Transport	24 184 464	60 809 386	(36 624 922)
56 801 454	52 246 743	4 554 711	Water	60 977 735	52 743 422	8 234 313
235 990 012	194 997 520	40 992 492	Electricity	251 197 720	209 925 587	41 272 133
612 568 072	555 188 094	57 379 978	Sub Total	666 172 438	592 952 218	73 220 220

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2017**

	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE					
Revenue from Non-exchange Transactions	242 756 391	249 787 372	(7 030 981)	(2.81)	
Taxation Revenue	89 868 399	85 128 673	4 739 726	5.57	
Property rates	89 868 399	85 128 673	4 739 726	5.57	
Transfer Revenue	125 805 860	132 947 831	(7 141 971)	(5.37)	
Government grants and subsidies: Operating	86 459 670	96 529 941	(10 070 271)	(10.43)	
Government grants and subsidies: Capital	35 390 192	35 418 890	(28 698)	(0.08)	
Public Contributions and donations	1 774 507	999 000	775 507	77.63	a Sufficient amount was budgeted under capital expenditure
Other Contributions	-	-	-	-	
Donated Property, Plant and Equipment	2 181 491	-	2 181 491	100.00	Unexpected donation of assets (Infrastructure and Movables).
Other Revenue from non-exchange transactions	27 082 132	31 710 868	(4 628 736)	(14.60)	
Fines	23 191 241	28 235 588	(5 044 347)	(17.87)	Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court
Licences and permits	3 890 891	3 475 280	415 611	11.96	Growth in the number of vehicles resulted in the increase in licencing services

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 2017**

	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE (continued)					
Revenue from Exchange Transactions	423 416 047	386 483 448	36 932 599	9.56	
Operating Activities	420 646 467	386 483 448	34 163 019	8.84	
Service charges	329 880 051	334 516 801	(4 636 750)	(1.39)	
Rental of facilities and equipment	4 179 623	3 586 015	593 608	16.55	Due to an unexpected lease to Walters Brothers
Interest earned - external investments	27 079 466	23 800 150	3 279 316	13.78	Increase in funds available for investment and higher interest rate than expected
Interest earned - outstanding debtors	1 908 736	1 482 678	426 058	28.74	Outstanding Debtors increased due to the poor economic conditions with a corresponding increase in late payments
Income for agency services	3 849 108	2 939 080	910 028	30.96	Increase in motor vehicle licences issued
Gains on Disposal of Property, Plant and Equipment	1 036 291	200 000	836 291	418.15	Net profit realised on sale of Property Plant and Equipment at the municipal auction was higher than expected
Other revenue from exchange transactions	52 713 192	19 958 724	32 754 468	164.11	Income realised more than expected due to several line- items realising more income than budgeted of which the following are examples: <ul style="list-style-type: none"> • Capital contributions; • Gain on Vesting of Properties; • Industrial Sewerage; and • New Connections.
Sale of Land Inventories	2 769 580	-	2 769 580	-	
Revenue on sale of land	3 468 865	-	3 468 865	100.00	Not budgeted
Cost of land sold	(699 285)	-	(699 285)	100.00	Not budgeted
Total Revenue	666 172 438	636 270 820	29 901 618	4.70	
EXPENDITURE					
Employee related costs	161 114 169	174 436 582	(13 322 413)	(7.64)	
Remuneration of Councillors	8 887 623	9 242 740	(355 117)	(3.84)	
Debt impairment	30 892 381	17 982 888	12 909 493	71.79	Estimation of debt impairment more than anticipated.
Depreciation and Amortisation	76 427 373	82 177 714	(5 750 341)	(7.00)	
Interest paid	13 853 694	13 923 185	(69 491)	(0.50)	
Bulk purchases	199 444 550	205 966 888	(6 522 338)	(3.17)	

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 2017**

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant Variances greater than 10 % versus Budget
EXPENDITURE (continued)					
Contracted services	32 290 607	4 311 059	27 979 548	649.02	Less subsidies paid out to organizations because no Financial Statements and Audit reports where submitted. Expenditure realised lower than anticipated due to several line- items that have been underspent of which the following are examples: <ul style="list-style-type: none"> • Workmans Compensation; • Development of Additional Software; • New Connections Aqualoc Meters; • Electricity Eskom; • Housing Project: Phola Park; and • Land Management Unit. More infrastructure assets disposed due to aging than expected
Grants and subsidies paid	1 803 054	2 106 780	(303 726)	(14.42)	
General expenses	57 283 475	112 118 503	(54 835 028)	(48.91)	
Loss on disposal of property, plant and equipment	10 955 292	2 251 362	8 703 930	386.61	
Total Expenditure	592 952 218	624 517 701	(31 565 483)	(5.05)	
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	73 220 220	11 753 119	61 467 101		

APPENDIX E (2)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2017**

	2017 Actual R	2017 Under Construction R	2017 Total Additions R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Executive and Council	831 281	-	831 281	818 000	13 281	1.62	
Finance and Administration	1 150 721	-	1 150 721	1 100 000	50 721	4.61	
Planning and Development	119 062	-	119 062	118 636	426	-	
Health	-	-	-	-	-	-	
Community and Social Services	7 599 938	-	7 599 938	7 715 114	(115 176)	(1.49)	
Housing	5 249 480	-	5 249 480	5 390 241	(140 761)	(2.61)	
Public Safety	509 920	-	509 920	510 320	(400)	(0.08)	
Sport and Recreation	10 714 519	6 431 519	17 146 038	19 074 537	(1 928 499)	(10.11)	Regional Social Economic Project funds not spent.
Environmental Protection	-	-	-	-	-	-	
Waste Management	6 167 539	1 769 884	7 937 423	7 941 393	(3 970)	(0.05)	
Road Transport	21 097 568	-	21 097 568	21 564 312	(466 744)	(2.16)	
Water	1 471 031	6 407 866	7 878 897	9 833 880	(1 954 983)	(19.88)	Subsidy from the Accelerated Community Infrastructure Programme for the upgrade to the water Network: Sunnyside did not realise
Electricity	7 302 111	-	7 302 111	7 362 000	(59 889)	(0.81)	
Other	-	-	-	-	-	-	
	62 213 170	14 609 269	76 822 439	81 428 433	(4 605 994)	(5.66)	

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		
ACIP Water Conservation	National Department of Water Affairs	288 910	-	-	-	-	-	-	288 910	-	-	-	-	None	Yes
Community Development Workers	Provincial Department of Local Government	37 000	-	-	-	9 195	6 495	6 143	16 854	-	-	-	-	None	Yes
Energy Efficiency And Demand Sufficiency	National Department of Energy	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Equitable Share	National Department of Cooperative Governance and	24 698 000	19 758 000	14 819 000	-	24 698 000	19 758 000	14 819 000	-	-	-	-	-	None	Yes
Extended Public Works Programme	National Department of Public Works	365 000	657 000	438 000	-	346 540	538 354	484 961	90 145	-	-	-	-	None	Yes
Financial Management Support Grant: Graduate Internship Programme	Provincial Department of Finance	-	-	60 000	-	-	-	-	-	-	-	-	-	None	Yes
Financial Management Support Grant: SCOA	Provincial Department of Finance	-	-	220 000	-	-	-	7 183	31 515	-	-	-	-	None	Yes
Financial Management Support Grant: Student Bursaries	Provincial Department of Finance	-	-	120 000	-	-	-	-	-	-	-	-	-	None	Yes
Greenest Town	Provincial Department of Environmental Affairs and Development Planning	-	-	70 000	-	-	-	-	70 000	-	-	-	-	None	Yes
Housing Phola Park	Provincial Department of Human Settlements	5 106 915	113 487	1 380 151	7 744 270	4 544 696	675 706	-	1 256 223	-	-	-	-	None	Yes
Housing Riebeeck Wes	Provincial Department of Human Settlements	-	1 020 241	-	-	-	-	1 020 241	-	-	-	-	-	None	Yes
Integrated National Electrification Programme	National Department of Energy	6 000 000	-	-	-	2 835 133	932 902	345 747	1 886 218	-	-	-	-	None	Yes
Library	Provincial Department of Cultural Affairs and Sport	5 236 000	2 205 000	2 205 000	-	1 574 754	3 570 067	1 797 279	2 703 901	-	-	-	-	None	Yes
Local Government Financial Management Grant	National Treasury	1 475 000	-	-	-	180 808	293 969	164 894	835 328	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Cooperative Governance and Traditional Affairs	6 600 000	12 978 000	752 000	-	1 163 688	8 594 340	3 711 245	6 860 726	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003(continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		
Municipal Sport Facilities	Provincial Department of Cultural Affairs and Sport	54 000	-	-	-	-	3 350	1 500	49 150	-	-	-	-	None	Yes
Municipal Systems Improvement Grant	Cooperative Governance and Traditional Affairs	-	-	-	-	-	70 001	55 079	187 187	-	-	-	-	None	Yes
Proclaimed Roads Subsidy	Provincial Department of Transport and Public Works	-	-	11 938 342	-	-	203 750	7 429 905	-	-	-	-	-	None	Yes
Refurbishment of Municipal Flats	Provincial Department of Housing	-	3 109 500	-	1 693 036	-	-	388 225	2 551 491	-	-	-	-	None	Yes
Regional Socio - Economic Project (RSEP)	Provincial Department of Environmental Affairs and Development Planning	-	4 000 000	3 500 000	-	6 608	713 416	1 052 970	2 918 070	-	-	-	-	None	Yes
Sondeza	Provincial Department of Local Government	-	-	-	100 000	4 180	95 820	-	-	-	-	-	-	None	Yes
Total		49 860 825	43 841 228	35 502 493	9 537 306	35 363 602	35 456 170	31 284 372	19 745 718	-	-	-	-		

*** Reasons for non- compliance**

Not all expenditure was utilised in this financial year. The funding will be utilised in the next financial year.